Austria	Sch22	Indonesia	Rp3100	Oman	Or 1
Bahrain	Din0.700	Iran	Rls180	Philippines	Pesos40
Belgium	BFr60	Israel	NIS3.30	Portugal	Esc140
Cyprus	C£0.90	Italy	L1700	Qatar	Qr9.00
Denmark	DKr10.00	Jordan	Fils.500	S.Arabia	Rls7.00
Egypt	E£3.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	$280.00	Spain	Pta145
France	FFr7.00	Lux	LFr55	Sweden	SKr10
Germany	DM2.30	Malaysia	Rin4.25	Switz	SFr2.40
Greece	Dr120	Morocco	Dh9.00	Thailand	Bt50
Hong Kong	HK$12	Neth	Fl2.60	Tunisia	Din0.800
Iceland	Ikr126	Nigeria	Naira10	Turkey	L800
India	Rup15	Norway	NKr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,885 — Tuesday July 4 1989 — D 8523A

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US talks turkey on trade
Page 6

World News

US Supreme Court places restrictions on abortion

The US Supreme Court has imposed new restrictions on a woman's right to an abortion, igniting renewed national controversy on the highly *charged political* issue. Page 18

Irish breakdown
The Irish Parliament was adjourned following the breakdown of inter-party talks to form a new government after the inconclusive general election of June 15. Page 2

US contract claim
Two co-directors of Mr Denis Thatcher, the British Prime Minister's husband, on the board of a UK public company paid money to a US official in a position to influence the award of a contract in its favour, according to a TV documentary. Page 6

Iranian call
Iran called the US a terrorist state at the United Nations and demanded compensation for the 290 people killed a year ago when a US warship shot down an Iran Air Airbus.

Syrian release
The Syrian Government has released more than 600 Palestinian, Lebanese and Syrian political prisoners in the past month. Page 4

Gorbachev in France
Mikhail Gorbachev is starting a three-day state visit to France, during which Moscow and Paris will cement political ties by signing bilateral agreements. Page 3

Mexican poll claim
Government claims of victory in Mexican state elections have been contested by the right-wing opposition amid accusations of fraud. Page 6

Italian vacuum
Italy's latest political vacuum moves into its 46th day without any clear indication of when a new government might be formed. Page 2

Bhutto returns
The Moslem world's first woman Prime Minister, Benazir Bhutto, is returning to Britain, where she spent two and a half years in exile, for a visit. Page 4

Islamic calling
Egypt's top Islamic authority said all AIDS victims should be killed by denying them food, water and medical treatment.

Three die in riot
Three people were killed when police opened fire to disperse rioting crowds of Hindus and Moslems in India's western state of Maharashta.

Sudan programme
The leaders of Sudan's new military junta have announced a programme calling for military conscription and a diplomatic bid defending their coup. Page 4

IRA bombing
The Irish Republican Army claimed responsibility for the bomb blast on Sunday which killed a British serviceman in West Germany. Page 2

Chang defeated
Michael Chang, 17, the youngest ever winner of a Grand Slam tennis tournament in Paris last month, was beaten by fellow American Tim Mayotte at Wimbledon.

Business Summary

Boots makes £800m bid for rival UK retailer

BOOTS, UK pharmacy chain, has launched a £800m cash bid for rival retailer Ward White, but was met with an immediate rebuff by the Ward White board. Page 19

BRITISH consumers have disregarded high interest rates according to official figures showing a record increase in credit and an upward revision in retail sales. Page 9

JAPAN plans to unveil a multi-billion dollar aid plan for Third World countries at Paris summit of Western leaders. Page 4

FORD, US motor company, has reached an agreement with the Portuguese Government to invest more than $130m in a plant producing car radios. Page 21

GESTETNER, UK office equipment group, announced a $109.7m offer to buy Hanimex, an Australian photographic distributor. Page 20

AEROSPATIALE, French aerospace group, is investing $4.7m in European Silicon Structures (ES2), the pan-European microchip manufacturer. Page 21

TOKYO Stock Exchange has decided to establish a committee to examine means of admitting new members. Page 23

LAZARD Freres, French merchant bank, has set up a $271m management buy-out fund to provide equity finance for deals. Page 20

NKK, leading Japanese steelmaker, is to raise nearly $694.4m through a public share offer offer. Page 22

ORKEM, French state-owned chemicals producer, and Enimont, Italian chemicals group, have agreed to swap control of subsidiary companies. Page 21

JAPAN'S foreign exchange reserves plunged $6.2bn to $89.6bn during June. Page 4

OUTOKUMPU Copper, part of Finland's state-owned Outokumpu group, has acquired a 51 per cent stake in the Spanish copper alloy semi-products company, Iberica del Cobre (Ibercobre). Page 21

PETRONAS, Malaysia's national oil company, is to invite international bids in November for a $130m polypropylene plant. Page 6

SOVIET Union needs $30bn to avoid ruin, a Soviet economist and member of the new parliament said. Page 3

THAI Airways International, Thailand's national carrier, reported pre-tax profits of $138.2m. Page 22

BOND Corporation Holdings, Australian master company of entrepreneur Mr Alan Bond, has failed to pay back on time most of a $51.3m loan from its Hong Kong-listed subsidiary. Page 22

REED International, UK printing and publishing group, is proposing plans to increase its borrowing limits. Page 28

SHAREHOLDERS in Bank Leumi, of Israel, have enlisted Drexel Burnham Lambert, US finance house, in the battle to keep hold on the bank after the Government sells its majority stake. Page 20

MARUBENI and Toyo Menka, two Japanese trading houses, has bought 7.5 per cent interest each in Oakbridge, Australian mining company. Page 22

FAI Insurances, Australian group headed by Rodney Adler, has sold a 14.9 per cent stake in Goode Durrant, UK industrial group. Page 22

RELIANCE Industries of India will raise $540m from international capital markets to build an oil refinery in Dubai, subject to Indian Government permission. Page 6

GORBACHEV ADVISER TAKES NEUTRAL STANCE ● BUSH PROPOSES SOVIET TROOP WITHDRAWAL

Solidarity official offers deal to form non-communist government

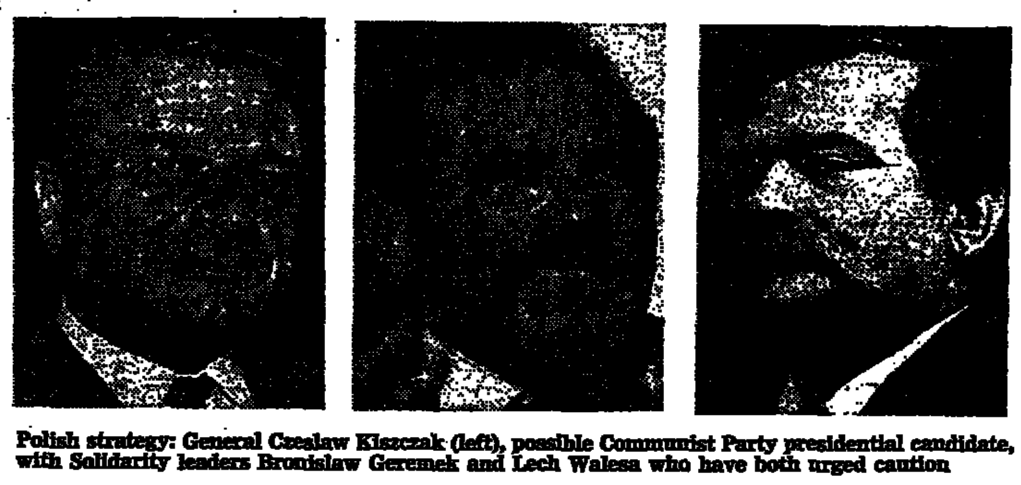
By Christopher Bobinski in Warsaw

THE formation of the first non-Communist government in Eastern Europe for 40 years was proposed yesterday by Mr Adam Michnik, a member of the Poland's Solidarity leadership.

An index of the extent of change in Soviet attitudes came from Mr Vadim Zagladin, a Soviet Central Commitee member and foreign policy adviser to Mr Mikhail Gorbachev, the Soviet President.

Speaking in Paris, Mr Zagladin said: "This is a domestic matter for our Polish friends to decide. We will maintain relations with any elected government in Poland."

Mr Michnik, whose prison letters were testaments of continuing resistance during Poland's recent period under martial law, said in a front-page article in the opposition Gazeta Wiborcza that Solidarity should agree to support a Communist Party candidate for the post of the country's president in return for the right to form a Solidarity government.



Polish strategy: General Czeslaw Kiszczak (left), possible Communist Party presidential candidate, with Solidarity leaders Bronislaw Geremek and Lech Walesa who have both urged caution

His suggestion comes amid much uncertainty over whether either of the two candidates for the post of president – General Wojciech Jaruzelski, the present party leader, whose refusal to stand was not accepted by the Central Committee, or General Czeslaw Kiszczak the Interior Minister – would command enough of a majority in parliament to win the post.

Today both of Poland's parliamentary chambers, the 460-seat Sejm and the 100-seat Senate are due to meet to choose speakers and take an oath for the first time since elections last month when the Solidarity opposition defeated the authorities in Poland's freest ballot since 1947.

The move also came as the Polish press published an interview with US President George Bush who is due to arrive in Warsaw for a visit next Sunday.

Mr Bush said he would like to see Soviet armed forces withdrawn from Poland, but cautioned, however, that he did not want to stir political tension in Poland or to complicate the process of gradual political change in the country.

In his article, Mr Michnik suggested for the first time the formation of "an alliance between the democratic opposition and the reformist wing of the establishment" and argued that Poland's present reforms were "very much in line with the Soviet Union's anti-Stalinist policies."

Since last month's elections, the Polish authorities have been calling on Solidarity to enter a Government, which until now the movement's leaders have refused.

Mr Michnik, however, backed by Mr Jacek Kuron another Solidarity leader, openly raised the issue of having the opposition form a government in speeches at a two-day meeting of the movement's parliamentary group in Warsaw at the weekend.

Mr Kuron's view was that the most politically sensitive posts, such as the Ministries of the Interior and of Defence could be left in Communist hands, while Solidarity would take responsibility for other ministries.

Yesterday's article and another commentary, which Mr Michnik has written for today's issue of the paper he edits, are evidence that Mr Lech Walesa the Solidarity leader – who has been arguing behind the scenes that the opposition should enter the government for some weeks – is seeking to force the issue on the movement.

Mr Walesa expressed caution at the weekend about the idea. He said that Mr Michnik and Mr Kuron were "young and in a hurry. My view is that we should wait and prepare for free elections in four years' time when we would be ready to take power."

Mr Walesa, concerned that were Solidarity to enter the government a possible wave of industrial unrest could sweep the movement away, said: "It's better to stay in opposition."

Mr Bronislaw Geremek, a senior Solidarity strategist whose support for the idea is crucial, also expressed doubts at the weekend about joining a government, which he said, would in any case have to begin with a purge at the top

Mr Walesa and Mr Geremek are likely to get support for their cautious stance from the activists who do not want the movement to be tainted with the unpopularity of power during the current series of economic crises in the country.

The Solidarity movement still faces a problem, however, with a political vacuum where it had been assumed there would be a Communist dominated Government.

Political opportunities, Page 2
Solidarity's main chance, Page 16

Hong Kong vents anger over UK refusal on passports

By John Elliott in Hong Kong

HONG KONG political activists yesterday walked out of a lunch given by Sir David Wilson, Governor of the British colony, after noisily denouncing a speech by Sir Geoffrey Howe, the British Foreign Secretary. This was *the strongest protest ever* made in the territory against a British cabinet minister.

The activists were protesting against Britain's refusal to grant British passports to at least 3.24m Hong Kong inhabitants ahead of the colony's reverting to Chinese sovereignty in 1997.

This refusal was spelt out by Sir Geoffrey, who only offered the possibility of passports for a much smaller number of people in the public and private sectors chosen for their "value of service to Hong Kong" or their "connections with Britain."

The confrontation took place on the second day of Sir Geoffrey's visit, which began with large street demonstrations.

As he neared the end of his speech to the lunch attended by 270 people, eight elected members of local district councils unfurled a 20ft long banner which said: "Shame on British government - irresponsible and hypcritical government."

Mr Lee Wing Tat, a 33-year-old council chairman and a prominent political activist, told the lunch that Sir Geoffrey had delivered a "bullshit speech" which was "an insult to the intelligence of Hong Kong Chinese." His speech was applauded and, after he had led his eight supporters out of the hall, he called for passports to be given to "all Hong Kong's 6m people."

Sir Geoffrey relentlessy resisted pressure for a relaxation of Britain's stand, from senior civil servants and government department heads, whose self-confidence is on the wane, civil service unions, elected urban and district council representatives, and various other professional and pressure groups.

Sir Geoffrey stressed in his speech that there was "simply no way a British Government could grant to several million people the right to come and live in Britain." It did, however, intend to act in two areas.

"We are working on a scheme that will make provision for people in both the pri-

Continued on Page 18

PepsiCo pays BSN $1.35bn for entry to UK crisp market

By Christopher Parkes, Consumer Industries Editor

BSN, France's biggest food company, yesterday recouped more than half the $2.5bn it paid last month for RJR Nabisco's European biscuit and snack operations with the sale of two leading UK brands of crisps to PepsiCo of the US.

PepsiCo has agreed to pay $1.35bn cash for the Smiths and Walkers potato crisp operations, formerly part of the Jacob's and Huntley & Palmer biscuit business which was one of BSN's prime targets in its deal with Nabisco.

The deal will considerably reduce the strain on the French company's finances and give PepsiCo, the world's largest crisp maker, a valuable foothold in Europe. It is also expected to present United Biscuits, market leader in the UK savoury snacks market, with a considerable challenge.

Mr Antoine Ribaud, chairman of BSN, said yesterday that since his company had no other interests in potato-based products there was no technical synergy.

PepsiCo warned in New York that the deal was expected to dilute 1989 earnings by about 8 cents a share.

The French company launched a FFr1bn ($151m) Eurobond to help finance the deal, and there had been widespread speculation that it would have also have to make a substantial cash call on the Paris market.

Mr Ribaud, popularly known as "the old fox," surprised the food manufacturing industry in June when he scooped up Nabisco's five European biscuit companies offered by Kohlberg Kravis Roberts, the US leveraged buyout specialist.

Several British and US companies, including Northern Foods and United Biscuits of the UK and PepsiCo and Borden of the US, were keen to buy parts of the European operations, but found themselves upstaged.

KKR bought Nabisco last December through a $25bn leveraged buy-out deal.

According to Mr John Campbell, analyst at stockbrokers Pru-Bache, PepsiCo appears to be paying 27.7 times prospective earnings for its entry into British crisps. The deal reduces the 27.1 multiple BSN paid originally to 26.4.

PepsiCo is expected to use its new base in the UK to extend the European market franchise of Frito-Lay, the best-selling potato crisp in the US.

Lex, Page 18; stock markets, Section II

Japanese electorate deserts ruling party

By Stefan Wagstyl in Tokyo

JAPAN's ruling Liberal Democratic Party's grip on power has been severely shaken by a resounding defeat in municipal elections in Tokyo.

Voters deserted the party in large numbers because of the recent introduction of an unpopular consumption tax, the Recruit affair, and a sex scandal involving Prime Minister Sosuke Uno.

The poll was a triumph for the Japan Socialist Party, which ran a campaign called the "madonna strategy" - throwing into the fray a high number of women candidates in order to capitalise on women voters' aversion to corruption in politics.

The results, announced yesterday, call into question the LDP's ability to avoid an equally severe defeat in national elections in three weeks to the Diet's upper house. Analysts said that if the LDP did as badly in the upper house poll as in Tokyo it could lose its overall majority for the first time since 1955.

Some party officials in Tokyo called on the national leadership to take responsibility for the reverse - a thinly-veiled invitation to Mr Uno and others to resign. But Mr

Continued on Page 18

Brussels plan for IPR control

By William Dullforce in Geneva

THE EUROPEAN Commission yesterday proposed the international enforcement of intellectual property rights, including strengthened powers for customs authorities to seize counterfeit goods.

The paper presented to the group negotiating on intellectual property rights (IPR) in the Uruguay Round of multilateral trade talks outlined legal means that the members of the General Agreement on Tariffs and Trade could adopt, to ensure compliance with any new multilateral agreement on intellectual property protection.

It represents the first response to trade ministers' instructions in April that the group should negotiate effective enforcement means, "taking into account differences in national legal systems".

All 12 EC states would "feel comfortable" with the proposal, which probably did not go as far as the US would like but was flexible enough to encourage other countries to consider it seriously, an EC official said.

Among general principles enunciated were:

- IPR enforcement procedures should not be unnecessarily complicated;
- They should treat nationals of other countries in the same way as citizens of the home country;
- National regulations on jurisdiction, language, the appointment of agents or provision of securities should apply, but not be used to discriminate between nationals and foreigners;
- Criteria applied in deciding whether an IPR had been infringed should not discriminate between domestic and imported goods and services;
- IPRs should be granted or registered within reasonable time, to avoid curtailing the period of protection.

Judicial and administrative procedures to be followed by all countries are suggested by the EC.

They include the right of an injured IPR holder to demand that infringing goods, or materials used in their creation, be forfeited and destroyed.

The Community focuses on internal enforcement measures but proposes rules for action by customs authorities against imports of counterfeit goods.

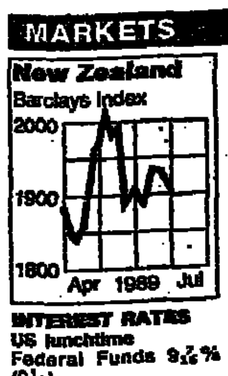
An IPR holder who suspected the import of goods bearing a false trademark identical with his own, could ask the customs not to release them.

He would have to supply proof of his rights and would have two weeks to start legal proceedings.

Governments should legislate for criminal penalties to be applied in cases of wilful infringement of trademarks and copyrights on a commercial scale, the EC proposed.

MARKETS

New Zealand
Barclays Index



STERLING
New York lunchtime
$1.5770 (1.5535)
London:
$1.5775 (1.5490)
DM3.0425 (3.0275)
FFr10.3325 (10.2775)
SFr2.6100 (2.6000)
Y222.75 (223.0)

DOLLAR
New York lunchtime
DM1.9297 (1.9525)
FFr6.5570 (6.6325)
SFr1.65525 (1.6755)
Y141.50 (143.95)
London:
DM1.9285 (1.9545)
FFr6.5500 (6.6350)
SFr1.6545 (1.6785)
Y141.25 (144.0)

GOLD
New York latest
Comex August
$380.2 (377.3)

INTEREST RATES
US lunchtime
Federal Funds 9 7/16% (9¼)
3-mth Treasury Bills: yield: 8.209% (8.245)
Long Bond: 109 1/16 (109 7/16)
yield: 8.06% (8.03)
London
3-month interbank: close 14 1/16% (14 1/32)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,448.60 (+8.54)
S&P Comp
318.80 (+0.82)
London:
FT-SE 100
2,165.6 (+14.6)
World:
139.70 (Fri)
Tokyo
Nikkei Ave
33,236.42 (+267.73)
Frankfurt
Commerzbank
1,894.8 (-7.52)

OIL
Brent 15-day (Argus)
$18.45 (+0.30) (July)
West Tex Crude
Not available (closed July 4 holiday)

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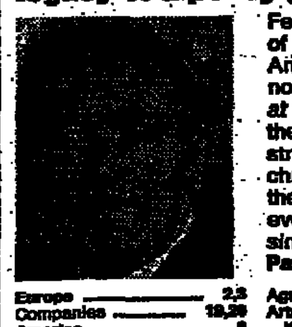
Andrei Gromyko: the lost legacy of a policy guru



Few men were more of their age than Andrei Gromyko, and none survived as long *at or near the top of* the Soviet power structure. John Lloyd chronicles the life of the man who served every Soviet leader since Stalin
Page 18

France takes up the torch of EC economic union

By David Buchan in Brussels

PRESIDENT François Mitterrand plans to use France's presidency of the EC Council of Ministers to get the Community off to a running start in its long marathon towards economic and monetary union.

After convening a special meeting of the 17-member European Commission in Paris on Saturday, the first day of the French six-month presidency, the Government said it would seek adoption of the legislative revisions necessary for Community finance ministers and central bank governors to co-ordinate more closely their policies.

This is the key part of the Delors report's recommended stage one of greater economic and monetary co-operation, which EC leaders agreed last week in Madrid should come into effect on July 1 1990.

Preliminary discussions about how to carry the Madrid summit's conclusions further will start when finance ministers meet here on July 10 and central bankers meet in Basle on July 1.

But no action can take place until the Commission comes up with revised legislative proposals. This would probably be at the end of this month, Commission officials predicted yesterday.

The other main goal which France is hoping to reach during its time in the EC chair is adoption of the Commission's proposed social charter as "a solemn declaration" of general principles guaranteeing protection of workers' rights in the intended single European market.

Mrs Margaret Thatcher, Britain's Prime Minister, is in a minority of one in opposing this.

One result of the weekend meeting is that the French Government has agreed to follow the line of Mr Jacques Delors, the Commission president, that the charter should be shorn of language giving the Commission a mandate to present a new labour policy action programme next year.

This separation is designed to placate Mrs Thatcher's fears about signing up to a charter which the Commission will use as a quarry to mine new legislative proposals.

It is, however, doubtful that the UK leader, knowing that Brussels plans new legislation anyway, will be placated by this.

Broad political spectrum in Poland's Parliament

Christopher Bobinski looks at a range of opportunities not seen in Eastern Europe since the war

POLAND'S Parliament, which meets today for the first time since Solidarity's resounding success in last month's elections, may soon be displaying a range of political opportunities never before seen in post-war Eastern Europe.

The deputies in the 460-seat Sejm, the legislative lower chamber, and the 100-seat Senate, who will be taking their oath and electing speakers, are still for the moment more or less in the ranks assigned to them in pre-election agreements between the Communist authorities and Solidarity.

But already the "official" parties are beginning to fray at the edges. Solidarity deputies are cautiously exploring the possibility of forming separate groupings and both chambers are wondering to what extent they will be able to act independently of their respective political leaderships, which in most cases are outside parliament.

The Communists, with 173 seats, are the largest group in the Sejm but they no longer enjoy an absolute majority as they have done since the war. A fringe of 20 or 30 of their deputies are more than reform-minded, with some not averse to co-operating with Solidarity in pushing for economic and political change. The group covers a wide political spectrum and their leader is Mr Marian Orzechowski, a member of the present party Politburo and a possible contender for the post of Party First Secretary.

But the group also contains politicians like Mr Tadeusz Fiszbach, the party leader in Gdansk in 1981, who worked well with Solidarity and was sacked at the outset of martial law, and who is now concerned to protect the Communist deputies' freedom to vote according to their conscience rather than party diktat.

Next comes the Peasant Party (ZSL), with 76 seats, which till now has played a more or less subservient role to the Communists. But the group does contain a number of outright Solidarity sympathisers, such as Mr Wladyslaw Zabinski, a farmer from Tarnow who heads Farmers' Solidarity's chapter there.

Whichever way the ZSL deputies choose to evolve, they will certainly tend to form a strong farming lobby with Farmers' Solidarity deputies in the opposition camp. So far the ZSL parliamentary group has, by 35 votes to 33, elected Mr Alexander Bentkowski, a lawyer from Rzeszow and a Solidarity sympathiser, as their floor leader, against the wishes of the party leadership, which is outside parliament and will in all probability be voted out by an extraordinary congress in a few months or less.

The ZSL, though, will be putting up Prof Mikolaj Kozakiewicz, a 64-year-old sociologist and the head of Poland's Family Planning Association, for Speaker and he will in all probability be elected, although Catholics both on the official side and within Solidarity will vote against him.

After the ZSL comes the Democratic Party (SD), which now has 27 deputies and has in the past played a similarly passive role. Now it has elected as its leader in parliament Prof Jan Janowski, who has represented the party in the past and was one of those who voted against legalising Solidarity in 1982.

Six or eight of the SD deputies are for the moment classified as Solidarity sympathisers, ready should the need arise to vote with the opposition but retaining a loyalty to their party, which looks likely to evolve into a free-market grouping looking for allies among those in the Solidarity team who favour economic liberalism.

Bringing up the rear in the official camp are three small and separate Catholic groups which in all have 23 seats and are a relic of the days when the Communists needed to have them in Parliament to demonstrate a measure at least of religious tolerance.

Solidarity's 161 deputies will, at least at the start, remain a cohesive group, especially if the Communist Party leadership adopts a confrontational style in Parliament. At present the group is dominated by veteran politicians like Mr Jacek Kuron who is of a social democratic persuasion and who first went to prison in the mid 1960s thanks to his opposition activities.

He is supported by other Solidarity stalwarts who share a common experience of the movement's rise in 1981 followed by the despair of internment under martial law. As a whole the group is led by Prof Bronislaw Geremek, a close ally of Lech Walesa. But there are some in the group already showing signs of wanting to stress their religious as well as nationalist convictions, and set to vote against Prof Kozakiewicz for his support of birth control or to call for a Christian clause to be included in the oath that deputies will take when sworn in.

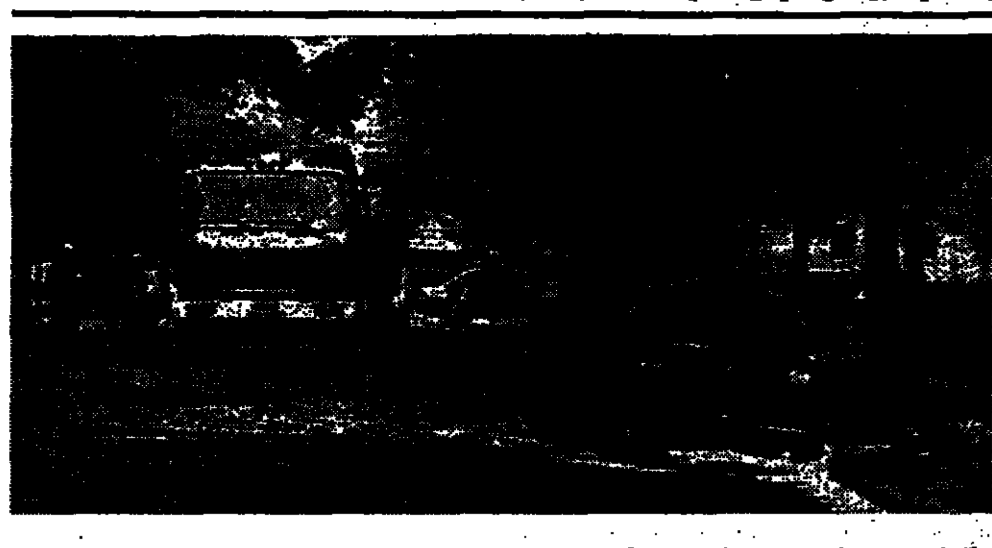
Farmers' Solidarity, with around 30 deputies and 20 senators, is the most cohesive group within the opposition team. Indeed, it is striking that few shop-floor trade unionists have been elected from Solidarity's urban wing, and it has been up to Mr Lech Walesa, who is not a member of parliament, to tell his deputies what his movement expects of them.

The main Solidarity movement team also includes up to 20 deputies led by Mr Andrzej Machalski, who is in the senate and who last Friday told a meeting of liberals in Gdansk that it was imperative that a centre-right, market-oriented party be organised as soon as possible. They are ready to vote as a free-market group.

Also in the Sejm are a similar number of supporters of workers' self-management traditions who see themselves on the opposite side of the political spectrum to the liberals.

The senate, which will have the right to veto Sejm legislation, is in a different position, as after the death of Solidarity's Prof Grzegorz Bialkowski last week the opposition controls 98 seats. The other is held by Mr Henryk Stoklosa from Pila, who ran as an independent and whose voting intentions are not yet clear. Farmers are strongly represented in the senate and both the economic left and right are present.

It was also clear at the weekend when the senators met that the chamber is concerned to retain a measure of autonomy from the Solidarity trade union. Only 17 senators voted for Mr Jaroslaw Kaczynski, a senior Solidarity official favoured by Mr Walesa when he stood for a post in the senate praesidium. The senate will almost certainly choose Prof Andrzej Stelmachowski, an academic lawyer identified with Farmers' Solidarity, as its speaker.



THE IRISH Republican Army yesterday claimed responsibility for the bomb blast on Sunday evening which killed a British serviceman in West Germany and badly injured his wife and four children, writes David Marsh in Bonn.

The British army yesterday identified the dead man as Corporal Steve Smith, 31, of the Royal Tank Regiment. He was killed by a car bomb as he was getting into his vehicle parked on a married quarters' estate in the northern town of Hanover. West German police yesterday were hunting two suspects seen at the scene shortly before the bomb exploded.

Security precautions at British army installations yesterday were stepped up. But in view of reluctance to throw a blanket security shield around the British forces, an army spokesman pointed out that 100 per cent protection against attacks was impossible.

The IRA attack is the latest in a series of onslaughts on British servicemen and military installations on the Continent.

Rome told to end charge on foreign cheques

By Tim Dickson in Brussels

THE EUROPEAN Commission has ordered the Italian Government to remove a L500 tax which it imposes on foreign cheques of over L50,000 (£23).

The tax, which Brussels pointed out yesterday is charged on cheques cashed by tourists visiting Italy, was the subject of a complaint in 1987 by Eurocheque International, the group which represents the issuers of Eurocheques.

The principle of Eurocheques is that they are paid in full if made out in the currency of the host country and provided they do not exceed the guaranteed amount agreed, which is equivalent to approximately Ecu200 (L300,000).

Yesterday's so called "reasoned opinion" from the Commission, stating that the tax is discriminatory and contrary to the Treaty of Rome, is the second stage of a legal procedure which could end with an action in the European Court of Justice.

The Rome Government has one month in which to comply.

The Commission, meanwhile, has decided separately that a tax of L300 imposed on both Italian and foreign cheques – and also the subject of the original complaint – is non-discriminatory and therefore not against Community law.

Irish parliament adjourns after inter-party talks break down

By Our Foreign Staff

THE IRISH PARLIAMENT (Dail) was adjourned until Thursday following the breakdown of inter-party talks to form a new government after the inconclusive general election of June 15.

The prospect of another election loomed large and seems inevitable unless at least one of the parties changes its present stance.

The acting prime minister, Mr Charles Haughey, told the Dail to remember that the "world is watching" the outcome of the constitutional crisis, and many observers feel that if there is no breakthrough by Thursday, Mr Haughey will ask President Patrick Hillery to dissolve parliament and allow fresh elections.

The leader of the Labour Party, Mr Dick Spring, who offered over the weekend to act as a mediator, opposed the adjournment, since, he said, the Dail should continue to sit to receive progress reports on the inter-party discussion, but the adjournment was carried on a vote.

Labour itself is coming under some pressure from Fianna Fail to support it as a minority government.

Mr Ray Burke, Industry and Energy Minister, said: "The left cannot opt out. They were elected to the Dail also and have a role to play in this situation."

Labour, like all the other parties, will have to count the possible cost – financial and political – of another election. Labour did particularly well in the election and the electoral dice might not fall so favourably again.

The talks so far have concentrated on Fianna Fail and the small, six-member Progressive Democrats, but Fianna Fail is adamant that it will not accept the Progressive Democrats' demand to be brought into a coalition government and says it is impossible to change its position at this stage.

Yesterday, before the Dail met, Mr Haughey received the backing of his parliamentary party for his stance.

The leader of the second largest party, Mr Alan Dukes of Fine Gael, had soundings with all the other parties at the weekend – seeking a "rainbow coalition" which could muster enough votes to have a parliamentary majority. But there seems no prospect of bridging a left-right divide which such a coalition would imply.

West German far-right party under investigation for election fraud

By David Marsh in Bonn

THE GROWING persecution complex of Mr Franz Schönhuber, leader of West Germany's far-right Republican Party, seems likely to be encouraged by news of a legal investigation into the party's financial affairs.

The Munich state prosecutor's office has opened an inquiry into suspected fraud in connection with the Bavarian state elections in 1986. Mr Harald Neubauer, the Republicans' general secretary, claimed yesterday that the judicial action was part of a "campaign" by the established political parties to trim the group's sails after its success in last month's European Parliament elections.

Mr Neubauer said the allegations were baseless. He claimed that the Munich move, together with the prominence given it by the media over the weekend, stemmed from a call last month by Mr Heiner Geissler, general secretary of the Christian Democratic Union, to toughen handling of the Republicans.

At the same time, a separate judicial inquiry has opened in Berlin into allegations of irregularities by the Republicans' chairman there, Mr Bernhard Andres.

The Munich investigation is based on allegations that the Republicans drew DM1.3m (£433,000) of election funding from government coffers even though it spent only DM300,000 on the 1986 polling campaign. In West Germany parties fighting elections are given access to public funds to defray expenses, with the payments directly proportional to votes cast.

The rumpus underlines how the Bavarian-based Republicans have burst into the political headlines by threatening to hold the balance of parliamentary power at the general election next year. Mr Schönhuber has taunted the mainstream conservatives by saying that the Christian Democrats and their Bavarian sister party, the Christian Social Union, have little choice but to form a coalition with him.

Mr Schönhuber, a vociferous former TV journalist and member of the Waffen SS during the war, has been claiming that the political and media establishments are victimising him to keep the far-right out of Parliament next year.

Mr Neubauer pointed out that one reason for the Republicans' popularity was that the party was free from the various financial scandals in which the established political groupings had been enmeshed in recent years. He claimed that the Munich inquiry was a method of "stigmatising" the party.

Italy's coalition search waits on Bettino Craxi

By John Wyles in Rome

ITALY'S LATEST political vacuum moves into its 46th day today without any clear indication of when a new government might be formed, and in a phase which could be entitled "Waiting for Bettino".

Those who had been expecting the pace to quicken after the European Parliament elections did not take into account just how much the results might change the calculations of Mr Bettino Craxi, the Socialist Party leader.

There is no parliamentary majority without him, short of a highly unlikely enlisting of the Communists (PCI) to help provide one. And since the Socialists were the only member of the outgoing five-party coalition to poll a higher share of the vote than in the national elections – albeit by a puny 0.5 per cent – Mr Craxi is shamelessly seeking to exploit the situation.

In the absence of any clear indication of what he wants, the growing suspicion is that Mr Craxi is trying to work his way towards an early general election, perhaps this autumn, but more likely next spring. For the Socialists, the most alarming result in the European elections was the 1 per cent gain by the PCI on their 1987 result. Mr Craxi, who has long dreamt of overtaking the Communists, may well hope to nip any revival in the bud at an early election.

All of the other coalition parties have signalled their readiness to launch a new government under Mr Ciriaco De Mita, the outgoing Christian Democrat Prime Minister. Mr Craxi is withholding any commitment about the line-up on the grounds that the tiny Republican and Liberal parties have been keeping bad, anti-Socialist, company.

W European chemicals 'must accept restructuring'

By Peter Marsh

THE West European chemical industry has too many players and must accept the need for some restructuring if it is to continue its improved profit performance of the past few years, Mr Ralph Hodge, a senior executive at Imperial Chemical Industries, said yesterday.

Mr Hodge, who was addressing the Financial Times conference in London on The Outlook for European Petrochemicals, said there was some pressure on the sector for new increases in capacity of basic chemicals which might not be justified.

"We must learn to do more with less, or more explicitly, with what we have already got," said Mr Hodge, who is deputy chief executive of ICI's chemicals and polymers group.

Mr Hodge voiced the general concern among chemicals executives that the business in Western Europe, having cut capacity and improved marketing techniques after the recession in the early years of this decade, was now gearing up for a heavy programme of plant investments in the 1990s.

That could result, according to many in the industry, in the supply of many chemicals well outpacing demand, and could lead to reductions in prices and profits.

Instead of following this route, Mr Hodge went on, the sector should continue in efforts to restructure.

It should, for example, seek

FT CONFERENCE

THE OUTLOOK FOR EUROPEAN PETROCHEMICALS

more joint ventures of companies co-operating in producing specific materials.

Another theme should be for chemicals companies to plough more money into research and technology to develop new high-value products or make better use of existing chemical materials in new markets.

Mr Charles Brown, a chemical industry analyst at Goldman Sachs, the merchant bank, said he feared the industry might be in danger of plunging into a period of poor growth.

Much of the investment community was sceptical about claims by chemicals companies that they had taken note of the problems suffered by the business in the early 1980s.

The petrochemicals industry had not produced good returns to shareholders primarily because it had failed to produce profit growth which fitted in with the underlying expansion of chemicals output.

"Moreover, the profit record has been highly volatile and this does not commend itself to investors," Mr Brown said.

Mr John Holloway, chairman and managing director of the UK chemicals division of Exxon, the US oil company, said the chemicals sector had learned much from the problems which it had experienced over the past 10 years.

Although uncertainties abounded in the future due to the extent to which conditions for the sector were linked to overall levels of industrial and consumer demand, the sector had greatly improved its planning models and had become more resilient.

Mr Marcello Colitti, energy adviser at ENI, the Italian state-owned industrial holding company, said the chemical industry should be more on the lookout for strategic alliances as a way of ensuring a better position to cope with the demands of rapid globalisation of chemicals in the 1990s.

"To be able to stand up to global competition, companies must be able to exploit opportunities whenever they find them, with no limitations from geography," he declared.

Mr Simon De Bree, a board member at DSM, the Dutch chemicals company, urged the industry to get to grips with recycling more of the large amount of plastics which went into domestic waste each year.

Pressures on the industry in this regard were increasing, because of heightened public interest in environmental matters.

Of the 12m tonnes of plastics waste produced each year, only about 500,000 tonnes were recycled, with the rest either being incinerated or used in landfill.

Incineration of plastics waste could be accommodated without adding to pollution, Mr De Bree added.

However, increases in treatment of plastics in this manner would require large investments in new types of incineration plants which would be capable of burning waste without evolving harmful gases.

Dr Kurt Ritter, head of the petrochemicals and energy division at the European Commission's Competition Directorate, said the Commission was monitoring the chemicals sector in Europe to ensure that the chemicals market in the European Community remained open.

Companies preparing for the EC single market could not use this event as a pretext for joining forces when there was no real economic need, hence cutting down on competition without justification.

Mr Peter Gaffney, senior partner of Gaffney, Cline and Associates, a consultancy, said there would be significant extra supplies of gas-based feedstock to meet a large amount of the needs of the European chemical industry in the 1990s.

These would come from development of new gas-rich oil fields in the North Sea which would increase the volume of liquified petroleum gases and ethane, to be used for making etholene and other widely-used chemical industry feedstocks.

Ms Hilfra Tandy, editor of Chemical Matters, a chemical industry newsletter, said in a session on reporting the petrochemicals business that the industry was moving into a central role politically.

This was because of the impact of its operations on the environment.

The sector had performed excellently in terms of profit over the past few years but often, it could benefit through being more open with the media.

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The long wait for Romania's economic recovery

Leslie Colitt looks at President Nicolae Ceausescu's options and the price the people may have to pay

A LONE Romanian maintenance barge on the nearly-deserted Danube-Black Sea Canal is a vivid reminder that the waterway inaugurated in 1984 by President Nicolae Ceausescu is a triumph of prestige over commerce.

Tens of billions of lei are now being spent on an even grander vision, a 72-kilometre canal to connect Bucharest with the Danube. Two ports are to be built near the capital with a capacity of 30m tons although it is unclear where the cargo will come from.

After paying the bulk of Romania's foreign debt of $11bn in 1980 - Western bankers estimate only $300m in loans remain - President Ceausescu appears determined to continue remaking the nation in his image.

The price is likely to be more austerity for Romanians. Their hopes for improved living standards rose briefly after the President's recent announcement that the debt was repaid. Shortly afterwards, though, Romania banned all future foreign loans.

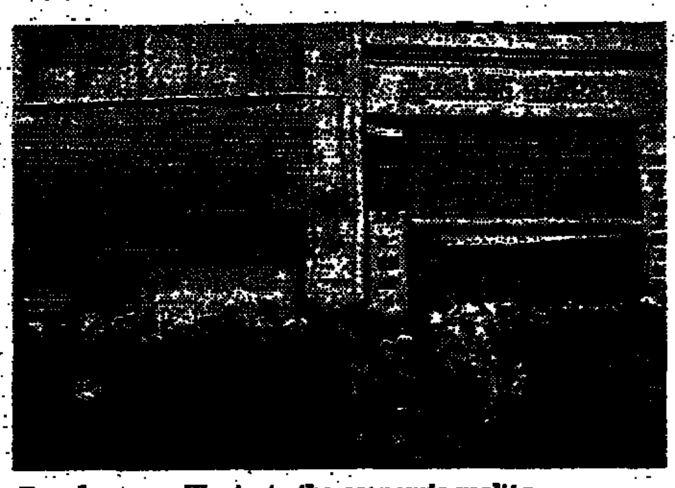
The lot of ordinary Romanians could be greatly improved even without Western credits. Collective farm peasants could be encouraged to raise more on their household plots instead of intimidating them by registering their livestock and forbidding them to sell above the state price.

The inevitable result of this centrally managed agriculture is that customers shuffle aimlessly through the dimly-lighted Alimentara Unic supermarket in the center of Bucharest in search of something to eat.

They are faced with aisles of canned and bottled tomatoes, beans, rice and noodles. The meat counter offers pig trotters which cannot be sold abroad. The tiny feet strongly suggest the piglets were slaughtered for lack of fodder.

Real pork was obtainable, a Bucharest taxi-driver said, at the rear door of the meat shop at the black market price of 150 lei a kilo. This compared with 40 lei for rationed meat which, however, was unavailable. The statistical office said the average monthly wage last year was 3,135 lei.

Officially, last year's grain harvest was given as 32.6 million tons, a reminder of Romania's prewar role as the granary of Europe. The actual harvest, however, was estimated by Western agricultural analysts at closer to 20m tons. A lack of fertilisers, inadequate irrigation and the absence of incentives meant that much of the grain was never produced.



Bread queues illustrate the economic reality

Enormous waste in bringing in the crop was to blame for the missing remainder. This year's grain harvest may turn out even worse because Romania failed to import plant protection chemicals.

Systematisation - the elimination of unviable villages and the creation of agro-industrial centres - could also bring about a worsening of food supplies if it is carried out on a large scale. Highly-productive household plots would be eliminated and peasants would place further demands on already strained food supplies.

President Ceausescu has given no sign that costly civil works projects and grandiose industrial schemes will be scaled down. Millions of tons of concrete continue to be poured into the capital's enormous Victory of Socialism Boulevard and other prestige construction sites.

The President has acknowledged the need for modernising badly run-down machinery and equipment using the "latest breakthroughs in science and technology." But Western commercial officials in Bucharest say the Romanians are eager to "poach" technology from the West without paying for it. President Ceausescu's unrelenting micro-management of industry and agriculture is the overriding feature of the economy. On visits to factories the President instructs managers to make more extensive use of this machine or that. Managers and ministers either do things his way or they are sacked for being disloyal. The result is massively distorted output statistics.

Romanian officials speak broadly of four main economic options for the country.

- The building up of hard currency reserves "much as in Japan" one planner remarked.
- High priority to be given to modernisation of obsolescent plants in the light of the Presidents recent criticism.
- Importing consumer goods or diverting goods normally exported to the domestic market. This option was not actually put forward by the officials but was acknowledged by them to be a "possibility" in response to Western queries.
- Offering short-term credits to potential Third World buyers of Romanian products in order to stimulate flagging exports. Western analysts believe hard currency reserves will be slowly built up and some effort made to modernise the industrial base. This, however, is likely to be modest in the light of falling exports and President Ceausescu's prohibition of new loans.

Meanwhile, the creaking economy is weighed down by the misdirected industrial projects of the past which devour resources and investments.

The Cernavoda nuclear energy station being supplied by the Canadians is long delayed by shortcomings on the Romanian side and is not due for completion until 1993, according to Westerners working on the project. Supplies of electricity and heat will remain tenuous at least until then.

Romania's hi-tech aircraft industry, a personal project of the President, failed to find a market for the domestically-produced Rombac, the BAC 1-11 airliner licensed by British Aerospace.

The steel industry is another industrial white elephant, consuming vast quantities of imported iron ore. Petrochemical plants are operating at a fraction of capacity and three out of the four Romanian joint ventures with Western companies have virtually broken down.

Co-operation accords await Gorbachev's pen on visit to France

By Ian Davidson in Paris

MR MIKHAIL GORBACHEV starts a three-day state visit to France today, during which Moscow and Paris will cement their political rapprochement by signing a score of bilateral co-operation agreements.

Subjects covered include the production of television sets in the Soviet Union, training business managers, youth exchanges and the establishment of a French cultural centre in Moscow and a Soviet centre in Paris.

The Soviet leader's visit is going ahead despite the death of Mr Andrei Gromyko. His plans to fly on to Bucharest for a Warsaw Pact summit on Friday and Saturday are also unchanged.

The high point of Mr Gorbachev's French visit is likely to be a speech tomorrow to the Parliamentary Assembly of the Council of Europe in Strasbourg in which Mr Gorbachev is expected to elaborate on his now familiar theme that the Soviet Union and Western Europe both share a "common European home."

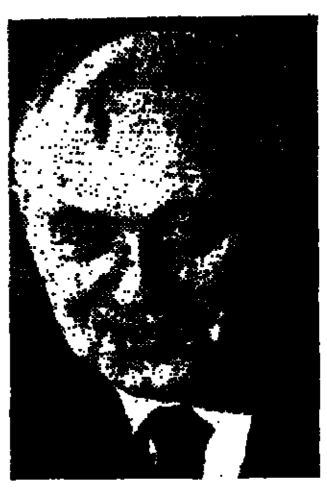
As a venue for such a speech, the Council of Europe doubly complements the Soviet leader's campaign to claim common values and civilisation with Western Europe. Not merely is the Council the home of the European Convention of Human Rights and the European Social Charter, its membership also goes considerably wider than the European Community, to include a number of neutral and non-aligned countries like Austria, Switzerland and Finland.

After his speech, Mr Gorbachev will have a brief meeting with Mr Thorvald Stoltenberg, Norway's Foreign Minister, who is the current chairman of the Council's Committee of Ministers.

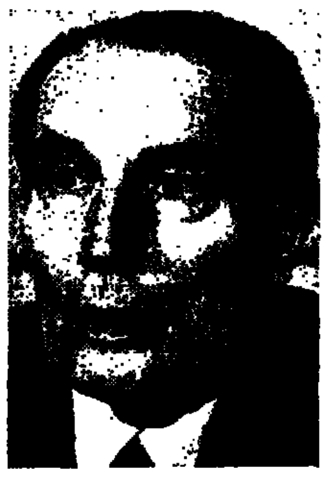
Mr Roland Dumas, France's Foreign Minister, described bilateral relations as being "set fair." The one important issue on which the two governments seriously disagree is France's insistance that its nuclear deterrent force cannot, in present circumstances, participate in the process of East-West nuclear disarmament.

The programme for Mr Gorbachev's visit has a remarkably intimate character. His first engagement today will be a tete-a-tete lunch with President François Mitterrand, at which the two leaders will be accompanied by their wives, and his last social engagement at dinner tomorrow evening will be a repeat event for the two couples in the even more intimate surroundings of Mr Mitterrand's personal residence on the Isle Saint Louis.

The only opportunity for Mr Gorbachev to let loose his natural penchant for public theatre, will be a brief visit this afternoon to the Place de la Bastille, partly as a gesture to the bicentenary of the French Revolution, partly as a pretext to mingle with the crowd.



Mikhail Gorbachev (above) and François Mitterrand set to cement their rapprochement



Strike threatens Norway's oil exports

By Karen Fossli in Oslo

NORWAY'S 1.5m barrels per day North Sea oil production and 50m cubic metres per day natural gas exports are in danger of being shut down due to an indefinite strike over wages called by helicopter pilots who transport offshore workers to platforms, employed by the Norwegian monopoly Helikopter Services firm.

"We may be forced to shut down (oil and natural gas production) by the end of this week unless the dispute is settled," according to Mr Einar Riisa, a spokesman for Statoil, the Norwegian state oil company.

This would mean a loss of about $25m per day on oil revenue alone, based on an oil price of $18 per barrel. An earlier strike which lasted for three days ended on June 2 but on Sunday a government-appointed mediator intervened but failed to resolve the dispute.

To avert the potential implications of the strike including production shutdown some oil companies are seeking spare capacity from helicopter operators in Britain, Denmark and the Netherlands and may also consider using sea transport, although they contend this is not an optimum solution because of limitations posed by Norwegian regulations.

Statoil, however, says that if there exists spare European helicopter transport capacity this is not an attractive solution even on an ad hoc basis.

Norwegian labour regulations prohibit offshore platform workers from working beyond 19 days, though they normally work 14-day shifts. Daily average transport is for about 800 workers on 40 flights per day.

Mr Tor Steinum, a spokesman for Norsk Hydro, Norway's second largest oil company, said yesterday a prime concern of his company was that of the safety hazard posed by keeping workers beyond their normal 14-day work shift.

Unless the dispute is resolved before the end of the week the minority Labour Government is expected to decide on compulsory arbitration.

For the second year running Norway has invoked a wage freeze to curb high unit labour costs which has hurt the country's competitiveness.

This spring employers and unions agreed to limit pay rises to four per cent after last year's five per cent limit.

Mickey and the time just fade away

By John Wyles in Rome

THE ENDURING appeal of Walt Disney's Mickey Mouse is being exploited by Mr Raul Gardini, the president of Italy's Ferruzzi Group, to popularise what he claims is a major environmental and scientific breakthrough in the production of biodegradable plastic.

Having recently endured an annual meeting of his Montedison subsidiary which was prolonged for hours by the closest scrutiny of his environmental credentials by Green shareholders, Mr Gardini's last laugh will be to give away 750,000 wristwatches mounted in biodegradable plastic. He is also going to print in "ecological ink" this week's Mickey Mouse cartoon insert which appears in his Roman daily newspaper, Il Messaggero.

The new plastic material, "thermoplastic starch," is derived from corn starch and has been developed by Montedison and another Ferruzzi company, Eridania.

The other contents are fossil products which allegedly strengthen biodegradibility and "environmental compatibility."

The wristwatches can be assembled from the parts which will be given away over the next three weeks in each weekly edition of "Topolino" (Mickey Mouse) which is published in Italy by Walt Disney. Even the straps will be made from a natural product, in this case cork.

The ecological ink in Il Messaggero's supplement, meanwhile, will be without lead and made from a soya oil base "as a further proof of the real possibilities for applying agricultural materials for industrial purposes," said a Ferruzzi statement yesterday.

The company said that the watch coming out this week will not dissolve on the wrist nor suddenly disappear. But once its natural span has elapsed, it can be given a decent burial, and after an attack by natural organisms will disappear within months.

Ferruzzi's ecological eulogy to its new product points out that each watch will have extracted half its weight in carbon monoxide from the atmosphere, because this is what corn absorbs during its growth. As a result, the world is a little less vulnerable to the "sierra effect" of global overheating. Not just a Mickey Mouse promotion, this.

Queensland inquiry into corruption urges poll reforms

By Chris Sherwell in Sydney

A THOROUGH review of the gerrymandered electoral system in the Australian state of Queensland, together with a watchdog body for its police and criminal justice system, have been recommended by a wide-ranging inquiry into corruption in the state.

The recommendations were published yesterday in a 630-page report by Mr Tony Fitzgerald, who headed the inquiry.

He was appointed after damaging revelations involving Queensland's police and highly-placed officials and ministers.

Over a period of 18 months, the inquiry exposed police bribery and corruption involving prostitution, gambling and illegal bookmaking, and abuses of power at high government levels involving electoral boundaries, political donations, ministers' personal businesses and the appointment of judges and other officials.

Mr Mike Ahern, Queensland's premier and successor to the now-disgraced Sir Joh Bjelke-Petersen, promised yesterday that his National Party government would implement the recommendations.

He also used the occasion to accuse other Australian states of similar patterns of abuse.

The report is significant for not containing any adverse findings against individuals. It says the task of sifting and assessing the vast amount of evidence belongs to the special prosecutor already appointed by the government.

The inquiry says the fairness of the Queensland electoral system – which divides the state into four zones giving country votes up to four times the value of city votes – is widely questioned.

It recommends the establishment of an Electoral and Administration Review Commission to examine the zonal system and electoral boundaries, saying public confi dence in the system is important to a restoration of social cohesion and respect for authority.

Regarding Queensland's police and legal system, the inquiry recommends the establishment of a Criminal Justice Commission to review, co-ordinate and initiate reform to the administration of justice.

Tokyo to unveil Third World aid proposals

By Stefan Wagstyl in Tokyo

JAPAN plans to unveil a multi-billion-dollar aid plan for Third World countries at the Paris summit of Western leaders this month.

The total package is likely to be similar in scale to the current three-year $30bn programme for recycling trade surpluses by means of soft loans, which was introduced by Mr Yasuhiro Nakasone in 1986, but was later expanded.

The current programme is due to run until March next year, but much of the money has already been earmarked for specific projects. So, there is already keen interest among potential recipient countries about the proposals' contents.

The new package, like its predecessor, would be separate from money disbursed as grants and project loans under Japan's regular official development assistance budget. Loans under the recycling programme are designed to help countries fund general economic restructuring schemes.

A senior official of the Japanese Ministry of Foreign Affairs said yesterday the details of the new package were still being discussed. But the programme would include $4.5bn-$5bn which Japan has pledged as part of its contribution to the Brady Plan for alleviating Third World debt. This money would be lent to the World Bank and International Monetary Fund by the Japan Export-Import Bank, which plays a key role in efforts to recycle Japanese trade surpluses to developing countries.

The new package would also probably include some or all of the $2bn Japan has promised to contribute in a new multinational aid programme for Mexico, which has been orchestrated by the US.

Beyond this, officials said they were looking at different options. One possibility is increasing Japan's contribution to the multilateral aid agencies to help them pay for environmental impact studies of development projects. Japan is separately considering pledging $2bn-$3bn towards a multilateral aid programme for the Philippines, in the so-called Philippines Marshall Plan, as well as a plan to spend $500m or more in grant-only aid for the poorest countries of Africa, following a $500m plan which started in 1987 and expires next March.

Japan's foreign reserves fall

By Yuriko Mita in Tokyo

JAPAN'S foreign exchange reserves fell $6.2bn to $89.6bn during June, mainly because the Bank of Japan was forced to sell huge volumes of dollars in an attempt to stem the US currency's strong rise.

At the beginning of June, the dollar had stood at Y142.65 but it rose rapidly over the next few days, passing briefly through what many currency market analysts considered an important psychological barrier of Y150. The BoJ intervened massively with other central banks and the dollar fell to around Y142 by the month's end. Analysts believe the BoJ sold a record $7bn on the currency markets in June.

Marubeni criticised over aid 'threat'

By Robert Thomson in Tokyo

THE Japanese government has criticised Marubeni, the giant trading house, for sending letters to the Ugandan government complaining about the loss of an aid-funded telecommunications contract and implying that Japanese aid funding to the country could be jeopardised.

The issue is a great embarrassment to the Japanese government, which has taken care to cultivate its image as the world's largest aid giver, and which has strongly denied claims that Japanese companies are sometimes unscrupulous in their pursuit of aid-funded contracts.

A foreign ministry spokesman said Marubeni was reprimanded for two letters, sent in February and April after the $30m contract for telephone line repair, part of a $50m World Bank grant, was suspended by Uganda. An official at the influential Ministry of International Trade and Industry (Miti) said that a meeting has been sought with the company to discuss the controversy.

Last August, Marubeni had successfully bid for the contract to repair telephone lines in three cities, but a Ugandan government review committee ordered the suspension of the agreement after suspicions of corruption in the selection process.

When it became clear that Uganda was then more inclined to an Italian bidder, Sielte, Marubeni sent the letters, while the Japanese embassy in Nairobi sent a diplomatic note to the Ugandan government.

The second letter, written by the director of a Marubeni telecommunications department, suggested that the Japanese government took a "great interest" in Marubeni's case and implied that the failure to proceed with a contract could have consequences for future aid funding through Japan's Official Development Assistance programme.

A Marubeni spokesman said the company had "no intention of applying pressure" on Uganda, but conceded that the controversy was unfortunate for the image of the company and the country. He said the company had engaged in normal business practice and there has been a misunderstanding.

The Japanese foreign ministry spokesman said the diplomatic note was routine procedure, and was an attempt to find out more about the reasoning behind Uganda's change of mind. He said that regardless of Marubeni's mistakes, the ministry maintained Uganda must abide by World Bank guidelines on loans, and that investigations are continuing as to whether those guidelines were breached.

Thailand's premier suffers setback

By Roger Matthews in Bangkok

THAILAND'S Prime Minister, General Chatichai Choonhavan, looks to have suffered his first political setback since being elected last August, as a result of a row which has broken out over the composition of the board of the Electricity Generating Authority of Thailand (Egat).

The delicate political balance between elected politicians, the military and the elite of the civil service has been upset by the peremptory sacking of eight members of the 11-strong Egat board last week over their opposition to the government's privatisation plans.

After several days of mounting agitation and stoppages by thousands of Egat employees, the country's influential acting Supreme Commander has stepped into the argument. When he retires from the army General Chavalit Yongchaiyudh is expected to be a prime ministerial candidate.

Following a meeting between the Prime Minister and the Supreme Commander, the government has proposed changes to the nominations it was making to the new Egat board. They include those of the deputy chiefs of the three armed forces together with the deputy national police chief, none of whom is thought to have much experience of the electricity supply industry.

Thailand's rapid economic growth during the past decade has caused a 15 per cent annual increase in the demand for power, with the danger of blackouts growing if new capacity is not installed soon.

At the same time the emergence of an increasingly confident and assertive Gen Chatichai as Thailand's first elected prime minister for 12 years has added to the strains among the political elite. His foreign policy initiatives of opening up business links with Vietnam, Cambodia, Laos and Burma have aroused criticism in the region while domestically he has increasingly appeared willing to challenge some deeply entrenched interests.

Those who wish to check Gen Chatichai's power are believed to have seen a golden opportunity with the sacking of the Egat board. The protest actions of the trade unions, which are not thought to act independently of very powerful national interests, have to be seen in that light.

Hongs add their weight

By John Elliott in Hong Kong

EIGHT of Hong Kong's largest companies, including the colony's four famous "Hong" trading groups and the Hongkong and Shanghai Bank, have joined the Stock Exchange and other organisations to mount a public relations campaign aimed at securing full UK passports for as many of the colony's 3.24m British subjects as possible.

Their initiative – which, it is envisaged, could last till 1997, when Hong Kong reverts to Chinese sovereignty – was agreed yesterday shortly after Sir Geoffrey Howe, British Foreign Secretary, had made it clear that there was no possibility of such a large number being given passports.

The companies include the four Hongs – Hutchison Whampoa, Jardine Matheson, John Swire and Sons, and Inchcape – plus the Hongkong and Shanghai Bank and Hongkong Telecom, all of which have strong roots in the UK. The other founding committee members are the Stock Exchange, the General Chamber of Commerce, DHL courier company, which has local links, Cluff Oil – partly owned by Hutchison – and two members of the Legislative Council.

Howe acknowledges Hong Kong's 'depth of anxiety'

THE following are extracts from Sir Geoffrey Howe's speech to Hong Kong community representatives yesterday:

...."I know the depth of your anxiety: it is your lives and livelihood that are at stake. I know the argument that an insurance policy for all would underpin the confidence of individuals who wished to remain in Hong Kong, and I know too that, at the moment, comparatively few Hong Kong people think that they would, in practice, wish to take up a right of abode in Britain. But the plain fact is that there is simply no way that a British Government could grant to several million people the right to come and live in Britain.

It dismays me that some have suggested that this is a matter of race. It is nothing of the sort. It is a practical problem on an enormous scale. If we were to extend right of abode to 3.3m British Dependent Territories Citizenship passport-holders or to all 5.7m Hong Kong people, we would never know how many of those might present themselves for settlement as a matter of right, not just in the next eight years, but over the coming decade.

It would be an indefinite and open-ended commitment that would test our capacity in all kinds of areas - housing, employment, transport, inner city services - on a scale and in a way that far exceeded any previous experiences. I believe there is no way that the British Parliament could be persuaded to support a scheme on this scale....

There is no more binding contract than an insurance policy. There would be no more cruel deception than an insurance policy on which we could not deliver. But that certainly does not mean that we are washing our hands of this problem. We intend to take action in two areas:

First, I have been looking urgently with the Prime Minister, the Home Secretary and other Cabinet colleagues at which changes can be made in our immigration arrangements. For the reasons I have described, we are not extending right of abode to millions of people or to anything like that number, but urgent action does need to be taken to give some reassurance. We are working on a scheme that will make some provision for people in both the private and public sectors on the basis not simply of connections with Britain, but also the value of service to Hong Kong....

Secondly, we have to look at what would need to be done in the very difficult circumstances of an extreme situation.... What we are talking about is a far-reaching breakdown of the arrangements in the Joint Declaration.... if things did go catastrophically wrong, Britain has firm obligations to Hong Kong. We would not close our door and we would mobilise the international community to help us if the numbers leaving Hong Kong in such circumstances were larger than we could deal with alone. We have already started work on this."

Bhutto to see Queen on return to UK

By Christina Lamb in Islamabad

THE Moslem world's first woman prime minister, Benazir Bhutto, will make a nostalgic return to Britain tomorrow, the country where she spent two and a half years in exile. It will be her first official visit to Britain since assuming power as Prime Minister of Pakistan in December.

One of the main purposes of her visit is to talk about Pakistan's re-entry into the Commonwealth. Ms Bhutto's father, Pakistan's first elected prime minister, withdrew the country in 1974. She will meet the Queen at Buckingham Palace and the Secretary General of the Commonwealth, Sir Sonny Ramphal. Pakistan is hoping to rejoin before the next session in Malaysia in the autumn, and there should be little opposition, India having withdrawn its veto in the light of improved relations between the two neighbours.

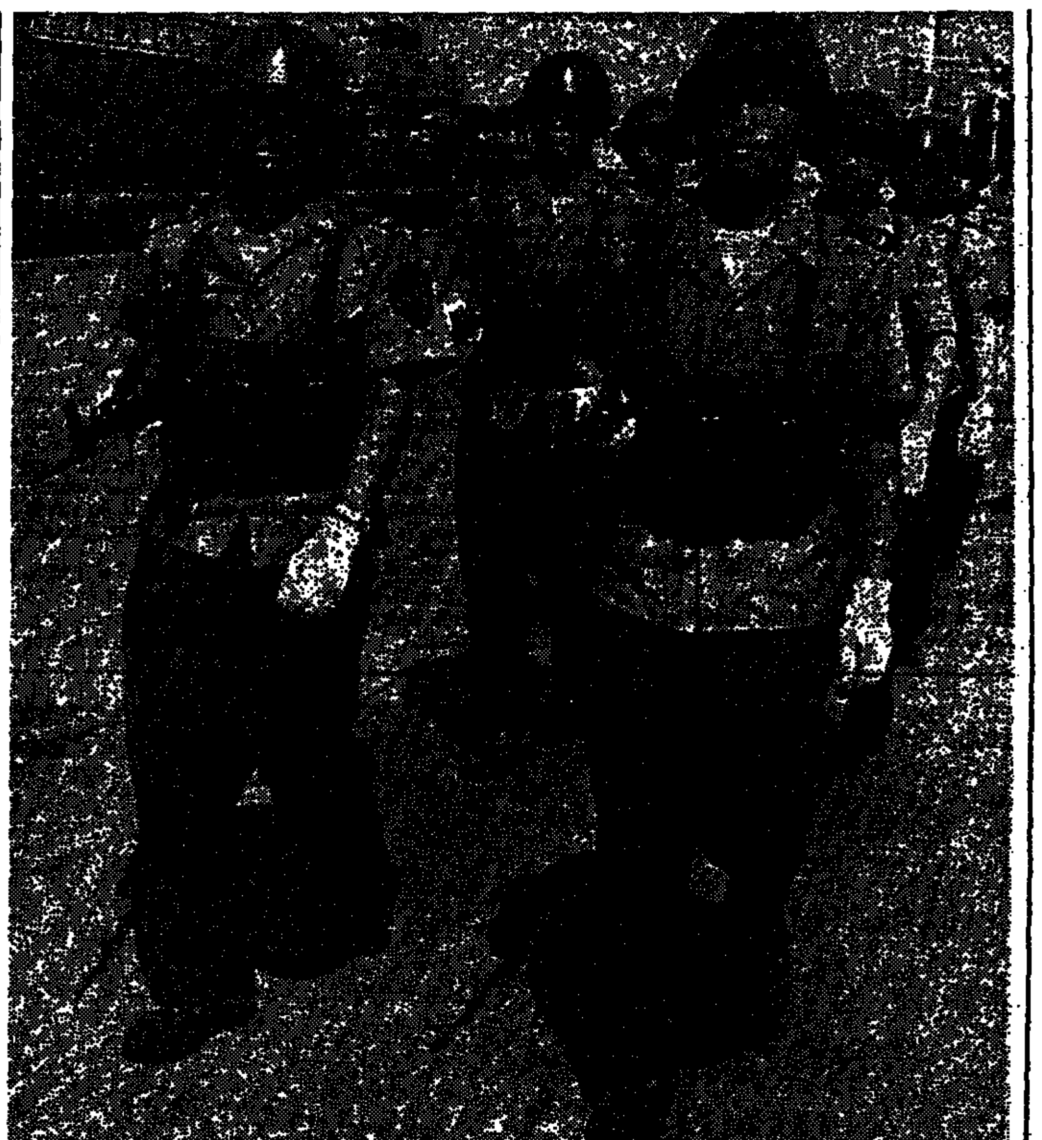
Two economic agreements are expected to be signed during Ms Bhutto's visit. Under one Britain will contribute $60m to Pakistan's World Bank-sponsored private sector Energy Development Fund to help finance private-sector power generation projects.

The second agreement will provide $25m aid for teacher training, primary health care, slum improvement and rural water supply. She also hopes to get money for Pakistan's anti-narcotics programme, one of her main priorities. In the last eight years the number of heroin addicts in Pakistan has risen from 25 to 700,000.

Ms Bhutto's social and economic programmes rely heavily on attracting foreign investment and during her week-long visit she will inaugurate a conference organised by the British and South Asia Trade Association (BASATA). She hopes to attract money to develop energy resources such as oil and coal.

In Ms Bhutto's talks with Mrs Thatcher one of the main subjects is expected to be Afghanistan. She will also meet opposition leaders.

Before leaving for Paris Ms Bhutto will visit her former college at Oxford, where she was president of the Oxford Union, and attend the finals of Wimbledon tennis.



Soldiers with fixed bayonets march through Peking's Tiananmen Square a month after the bloody repression of the pro-democracy protests. The square is still closed to the public.

India wins $6.7bn in aid pledges

By K.K. Sharma in New Delhi

INDIAN officials who attended the meeting of the Aid India consortium in Paris have returned to New Delhi convinced the Government will have to increase the domestic savings rate to reduce dependence on foreign aid and direct foreign investment to deal with the country's serious balance of payments position.

Resistance has grown, in particular, to use of direct foreign equity investment after pressure from the US and other Western donors to ease terms for this.

In the medium term at least India will rely more on foreign aid and on its own efforts to increase the domestic savings rate. A meeting of the Planning Commission to work out a target for the savings rate and growth of the economy in the next five years is expected to be held in the next couple of days.

The officials are not unhappy with the pledges for aid made in the Paris meeting totalling $6.7bn for 1989-90, although in real terms there is no increase from last year's commitment of $6.4bn.

But because of the growing debt burden, there is concern also at the reduced inflow of net aid. For example, although Japan gave aid worth Rs 6.26bn in 1987-88, the repayment liability of Rs2.2bn in the year considerably lowered the net aid inflow.

Syria releases 600 political prisoners

By Lara Marlowe in Damascus

THE SYRIAN Government has released over 600 Palestinian, Lebanese and Syrian political prisoners in the past month, and is expected to release more in the near future.

One hundred and sixty-four Palestinians from the pro-Arafat Fatah movement were released following pleas by Mrs Intissar Al-Wazzir, the widow of "Abu Jihad", when she met President Hafez Al-Assad of Syria on the first anniversary of her husband's assassination in April.

The Palestinian prisoners in Syrian jails were fully discussed at the Casablanca Arab League summit in May. Palestinian sources in Damascus say there are still about 2,000 Palestinians held in terrible conditions in Syrian prisons, but more are expected to be freed soon.

The liberation of Fatah members, many of whom had been held since the Syrian-PLO split in 1983, coincides with Syria's interest in improving relations with Egypt and Saudi Arabia, which both want to see the Syrian-PLO dispute brought to an end.

About 500 Syrian and Lebanese political prisoners were also released within the past month, according to a highly-placed Syrian official. Many of the prisoners were Islamic fundamentalists seized during the brutally-repressed Hama uprising in 1982 and later in the northern Lebanese city of Tripoli during the conflict with the "Al-Tawheez" Islamic movement in the mid-1980s.

"The Government feels secure now," a Syrian official said, "so they can afford to give people a little more freedom."

A delegation led by Mr Farouk Kaddoumi, the PLO's "foreign minister", was to have travelled to Damascus before the Casablanca summit. But Palestinian officials here say the visit was postponed because Mr Yassir Arafat, the PLO chairman, first wanted a Syrian vote at the summit in favour of the Palestinian state whose foundation he announced last winter. Then Iraq, which has good relations with Mr Arafat but which does not wish to see him reconciled with Syria, put pressure on the PLO chairman to delay further the delegation.

Sudanese junta defends seizure of power

By Julian Ozanne in Nairobi

THE leaders of Sudan's new military junta have announced a programme calling for military conscription and have launched a diplomatic campaign to defend their seizure of power to western and moderate Arab governments.

A policy statement published by the National Salvation Revolutionary Command Council on state-run Radio Omdurman called for "the drafting of all those capable of carrying out their patriotic duty" and the strengthening of government troops fighting a six-year civil war in the south.

The statement also called for increases in the provision of military hardware and medical supplies to the army.

Lt Gen Omar Hassan Ahmed el-Bashir, the country's new leader, said yesterday that plans to strengthen the army did not contradict the new regime's desire for peace in the south because "peace requires force to protect it".

He also blamed the country's politicians for causing starvation by plundering the country's wealth "to build castles and convert them into hard currency deposits in foreign banks". He vowed to hold public trials of officials of the former regime for malpractices and corruption.

"The revolution has come to put an end to these parties' abuses and corruption. There is no question of letting them return," he was quoted as saying in yesterday's influential Egyptian daily, Al-Ahram.

While ruling out the possibility of a return to multi-party parliamentary democracy Gen Bashir defended his crackdown against Sudan's independent press and trade unions, which, he said, would have a role to play in the future under new laws.

"We need to be criticised... We need a free and independent press to oversee us," he said.

Political observers contacted in Khartoum by telex said these statements were designed to win recognition from western governments, particularly the US.

Gen Bashir also further declared his government's desire to seek unity with Egypt, and said his regime had been in constant contact with Cairo during the coup.

Foreign workers face 'Arabisation' of Gulf's 'dirty jobs'

Low oil prices, population growth and unemployment threaten long dependence on migrants, writes Victor Mallet

TO LOOK only at pedestrians, labourers and office workers in some Gulf cities is to imagine yourself in the Indian subcontinent, and it is a truism to say that the Gulf is overwhelmingly dependent on foreign labour.

But the fall in oil prices in the early 1980s, the exceptionally high growth rates of the region's indigenous Arab populations, and the arrival of an unemployment problem among Gulf graduates has led to a new perception: that foreign workers will have to leave in their hundreds of thousands to make way for the locals.

"Kuwaitisation" and "Omanisation" have become typical government catchwords of the day as Gulf rulers seek to address the labour problem. Saudi Arabia, the largest Gulf employer of foreign labour, has already cut back. Bahrain has announced plans to reduce the number of expatriate workers in the private sector to 40,000 from 60,000 in the next five years, and the United Arab Emirates intends to nationalise all 50,000 government jobs; at present only a fifth of the posts are held by its citizens.

NON-NATIONAL WORKFORCE

COUNTRY	1987	projected 1990
BAHRAIN	79,550	74,100
KUWAIT	502,200	495,500
OMAN	275,400	260,500
QATAR	62,800	61,350
S. ARABIA	3,025,900	2,901,700
UAE	566,450	566,300
TOTAL	4,512,300	4,359,450

SOURCE: Birks, Sinclair and Partners, Mountjoy Research Centre, Durham 1987

Such moves are a source of concern to labour-exporting countries in Asia and the rest of the Arab world, which fear the destabilising effects of lower remittance income and a mass return of workers from abroad, inparticular the Philippines, Jordan, Egypt and the two Yemens.

There are estimated to be some 5m foreigners in the Arab Gulf states (excluding Iraq), making up some 40 per cent of the population and most of the workforce. Half of them are in Saudi Arabia. The Baghdad-based Arab Labour Organisation reckons that expatriates in the Gulf as a whole remit some $6bn to $8bn a year.

It is interesting that the exodus of workers so heralded by Gulf governments and feared by the labour exporters has largely failed to materialise. Estimates differ, but Mr Roger Böhning, who studies migrant labour at the International Labour Office in Geneva, believes there has only been a 5 to 10 per cent drop from the 5.3m or so in 1984.

"It's likely to remain at this level for some years to come, or perhaps creep up," he says. One study (see table) predicted a fall of around 3 per cent between 1987 and 1990.

There are two important factors which have slowed the reduction in the number of foreign workers – the notorious but understandable reluctance of oil-rich Gulf nationals to do menial jobs, and the tendency for students to study social sciences or arts subjects rather than acquire the technical skills required by their developing economies.

"The basic determinant of the situation is that they don't have to pick up the dirty work because they have money," says Mr Böhning. "That will be an eternal problem for them. I feel that they will be educating a large number of people and not getting them into the labour force.... I think people have realised – but are afraid to verbalise it – that they will have a long period of reliance on foreign workers."

What has been changing in the Gulf is the structure of the foreign workforce. The end of the construction boom has shifted the emphasis from unskilled labour to skilled or semi-skilled maintenance and staffing. At the same time the squeeze on costs resulting from lower oil prices has prompted employers to choose cheaper nationalities. In many cases wages have fallen.

Before 1982 there were more than 100,000 Americans and Europeans in the Gulf; today there are probably less than half that. Asians are replacing more expensive Palestinians and Egyptians in some skilled jobs, and relatively "cheap" Bangladeshis are now favoured for manual labour.

"When you have built a hospital, you have to staff it. Schools you have to staff with teachers," says Mr Böhning. "Two thirds of the foreign workforce were in construction. Now it's less than one third.... There is a shift away from the unskilled to semi-skilled and a shift away from expensive to less expensive nationalities."

Jordan both exports and imports large amounts of labour. Some 40 per cent of its labour force, in the form of more than 300,000 Palestinians with Jordanian citizenship, work in the Gulf, while unskilled Egyptians work in Jordanian agriculture and Asians work as maids. As Palestinians are squeezed slowly out of the Gulf, unemployment rises and foreign exchange dwindles. The Jordanian authorities are therefore attempting to restrict the inflow, for example by making work permits more expensive for employers.

But as in the more prosperous oil-producing states, there is a mismatch between the qualifications and ambitions of the unemployed and the jobs available. "It's not easy to find a good Jordanian fitter, and if you do find him he's reluctant to dirty his hands and he will have an Egyptian assistant," said one government minister recently.

Dr Fouad Iskander, Egypt's Minister of Immigration and Expatriate Affairs, has devised a series of schemes to promote loyalty among Egypt's 3m workers in the rest of the Arab world – many of them in Iraq. Eminent Egyptians abroad are offered medals, certificates and even receptions in their honour, and they are urged to invest in Egypt, promote Egyptian tourism, and spend money on Egyptian commodities. Remittances amount to some $3bn a year.

"On account of the fabulous increase in our population we are under pressure to create annually new job opportunities of a productive nature for about 420,000," he says. "If possibilities for employment abroad can relieve domestic resources from some of the pressure involved, then we wouldn't mind."

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AMERICAN NEWS

Decline in orders points to further US economic slowdown

ECONOMIC activity in the US declined in June for the second consecutive month, according to an industrial survey closely watched by the Federal Reserve in fixing monetary policy and interest rates, writes Peter Riddell, US Editor, in Washington.

The purchasing managers' index dropped last month from 49.7 to 48.8 per cent, the lowest level since July 1986. Previously there had been 33 consecutive months in which the index was above 50 per cent; a reading below that level indicates that the economy generally is declining.

The index is a composite of replies from purchasing executives in more than 250 industrial companies and covers new orders, production, vendor deliveries, inventories and employment. It thus points to the direction and scope of change of economic activity.

The latest index shows new orders at their lowest level since September 1984, with employment declining for the fifth month running. Moreover, the rate of growth of new export orders slowed significantly last month.

However, for the first time in 34 months, more purchasing executives reported price declines than increases. This covers the cost of goods and materials which they purchase.

Taken with other recent indicators, the latest figures provide further evidence of a marked slowdown in the rate of US economic growth this year. But there is no clear-cut evidence yet to substantiate Wall Street's recent fears of a coming recession.

None the less, the figures will underscore worries in the Bush administration about slower growth than it wants, which will both complicate any reduction of the federal budget deficit and increase calls for an easing of US monetary policy.

The Fed's policy-making open market committee meets tomorrow and on Thursday to review its previous cautious stance reconciling the views of those favouring continued restriction and those who believe some easing is now justified.

Mr Robert Bretz, the chairman of the purchasing managers' business survey committee and director of material management at Pitney Bowes, commented that the index had averaged 51.4 per cent for the first half of this year.

He said: "Past experience indicates that, if this average were to continue for the second half of 1989, it would be consistent with real Gross National Product growth of about 2.3 per cent. However, the index average for the second quarter, 50.5 per cent, appears to be more consistent with real GNP growth closer to 2 per cent. The index would have to fall below 44 per cent before signalling negative real GNP."

Mr Bretz added that in June "the total economy continued down the path toward slower growth as it ended the second quarter. The manufacturing economy declined for the second consecutive month as all indicators, except production, registered declines. The best news is that inflation appears to be slowing at a faster pace than the overall economy."

There was little market reaction as activity was quiet in advance of today's Independence Day public holiday in the US, when banks and exchanges are closed.

Fraud claim in Mexican state elections

By Lucy Conger in *Morelia, Mexico*

MEXICO's ruling Institutional Revolutionary Party is claiming victory in tight elections in two key states, but left and right-wing opposition parties claim the voting on Sunday was marred by fraud.

Polling took place peacefully. After the polls closed, however, a war of words began in a flurry of bulletins released by the leading parties, citing irregularities including stolen ballot boxes, keeping opposition poll-watchers away from the polls, and failure to deliver ballots to polling places.

In Baja California and Michoacan, opposition activists alleged interference with electoral rolls, eliminating pro-opposition voters and adding phantom voters.

In state congressional elections in western Michoacan state, a bastion of the left-wing Party of the Democratic Revolution (PRD), PRI officials published figures claiming a lead of between 10 and 35 per cent in 10 out of 18 deputy seat races.

Mr Cuauhtémoc Cárdenas, the former Michoacan governor and national PRD leader, published preliminary vote counts showing a strong lead for PRD candidates in 10 state congressional districts.

Opposition parties are still hoping to set a precedent with wins in the two states, which would wrest a governorship and state congress from the ruling party's control for the first time under the 60-year PRI regime.

By early yesterday, PRI party officials said no results would be released in the race with the right-wing National Action Party (PAN) for the governorship of the northern border state of Baja California until next Sunday.

The PRI declarations of victory show "a conscious decision was made at a high [political] level some time ago that the opposition would not win," said Mr Jorge Castaneda, a political commentator, after observing the Michoacan elections.

Such a stance would stretch the credibility of the promises of President Carlos Salinas de Gortari to stage clean elections and democratise the PRI.

Guidelines for Brazil's budget

By John Barham in São Paulo

BRAZIL'S Congress has drawn a general outline for the 1990 budget, in one of its final votes before the winter break. Unlike previous votes increasing wages and the federal budget deficit, the latest law imposes greater austerity than even the Finance Ministry had requested. But economists say it contains wide loopholes.

Economists say excessive government spending is the single most important source of Brazil's runaway inflation. In June, prices rose 24.83 per cent, bringing inflation over the past 12 months to 964 per cent. Inflation so far this year has been 176 per cent.

The budget guideline law, as the legislation is known, was approved by a pro-forma vote by the leaders of the two main parties in Congress. The legislature could not convene a quorum to vote on the bill, thus diminishing the law's political clout. Congress can amend the law any time during the coming year.

It establishes a principle that spending cannot exceed revenues, but still allows the Government to increase its spending deficit to fund "priority investments" and land reforms and to capitalise the sickly state companies. However, the law does require impressive cuts in government staffing levels, by eliminating some 35,000 posts next year.

The Government must now frame its draft budget for 1990 within the limits imposed by the guideline law. Congress must approve a budget by November, when presidential elections are to be held.

Thatcher link with US waste company scrutinised

John Plender reports on a controversy surrounding a Florida-based unit of Attwoods of the UK

TWO co-directors of Mr Denis Thatcher on the board of a British public company paid money to a US official in a position to influence the award of a contract in its favour. This allegation, which concerns Attwoods, the British waste management group of which the British Prime Minister's husband is deputy chairman, was made in a Channel Four documentary programme broadcast last night.

The charges centre on a Florida-based company, Industrial Waste Service (IWS), which Attwoods took over in 1984.

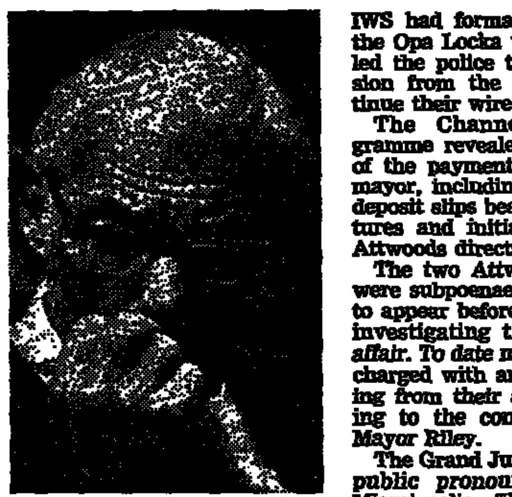
The US company is also being sued in the US for alleged large-scale pollution.

The programme – A Special Relationship – claims Mr Thatcher and the other Attwoods directors knew IWS was under investigation for anti-trust offences before the takeover. The programme also claims the two directors were involved in business dealings with a Mafia figure in the 1970s.

A Downing Street spokeswoman said the Prime Minister's office never discussed the affairs of the Prime Minister's husband.

The payments to a public official were made in 1985 when IWS, Attwoods' main subsidiary in the US, was negotiating an exclusive contract with the City of Opa Locka in Greater Miami for the collection of commercial waste.

The two Attwoods main board directors concerned are Mr Jack R. Casagrande and Mr Ralph Velocci, who run the group's US operations. They paid $10,000 (£6,450) to Mr John Riley, the mayor of Opa Locka, weeks before he chaired a meeting of the City Commission, which awarded the contract to IWS against the advice of the city manager.



Denis Thatcher

The payments were made to Mr Riley indirectly through a lawyer's trust account.

According to Mr David Cooper, a partner in Attwoods' solicitors Gouldens, these were "purely personal payments involving a property transaction". He was unable to give further details. But the board maintains that these were legitimate business dealings and is standing by its two American directors.

Mr Casagrande and Mr Velocci came under suspicion in 1985 when the Miami police secretly taped the telephones of Mayor Riley during an investigation of alleged corruption at Opa Locka City Hall.

Telephone conversations between Mr Casagrande and Mayor Riley on November 6 and 7, 1985, three weeks after IWS had formally applied for the Opa Locka waste contract, led the police to seek permission from the courts to continue their wire taps.

The Channel Four programme revealed bank details of the payments made to the mayor, including cheques and deposit slips bearing the signatures and initials of the two Attwoods directors.

The two Attwoods directors were subpoenaed in April 1986 to appear before a Grand Jury investigating the Opa Locka affair. To date neither has been charged with any offence arising from their activities relating to the contract; nor has Mayor Riley.

The Grand Jury has made no public pronouncement. The Miami police file on the affair remains open.

Asked at what point Mr Thatcher and the Attwoods board became aware of the payments, Mr Cooper said he thought they became aware at the time of the Grand Jury investigation. "The Attwoods board did consider the matter," he said, "and they accepted the version which was given to them both by Jack Casagrande, Ralph Velocci and the [Mr Casagrande's and Mr Velocci's] American attorneys".

The board regarded the payments, said Mr Cooper, as "a minor personal matter, a matter for those two parties". It was not something for the Attwoods board to take further, he suggested, because charges had not been laid.

Mr Cooper said the timing of the deal was "unfortunate". With hindsight, he said, neither party would have wished to have involved himself in the deal because it did not look good to the outside world.

The association of Mr Denis Thatcher's name alongside the controversial American directors of Attwoods has attracted earlier attention on both sides of the Atlantic.

Before sentence was passed on IWS in a Florida anti-trust case in 1986 IWS's lawyer pleaded in his client's favour that IWS's British owners included very prominent people, "perhaps the most prominent being the husband of the British prime minister, Margaret Thatcher." Mr Thatcher is a non-executive deputy chairman but he is known to be active in promoting Attwoods interests.

Mr Thatcher – who is also a director of other companies including Pitney Bowes – said in 1986 that he was "completely satisfied (that IWS) was above board".

Mr Jack Casagrande has also been embroiled in a protracted legal wrangle in the Florida courts over charges of theft and conspiracy. Yesterday a judge found that while there was sufficient evidence to prosecute Mr Casagrande, there were deficiencies in the filing of the documents setting out the charges. He therefore dismissed the charges. The prosecutor has said the State of Florida will appeal immediately.

At the centre of these legal proceedings is a deal between a New York-based company with which Mr Casagrande has been associated, Urban Waste Disposal, and the local authority at Marion County in Florida.

Urban Waste Disposal claimed to be able to operate a machine which was said to extract high grade fuel oil, gas and solid fuel from waste and which never went into operation. The Florida State Prosecutor will continue to claim, on appeal, that Mr Casagrande and others defrauded the local authority of profits from the dump site because they promised to deliver the machine knowing from the outset that it would not work.

Ralph Velocci, left, and Jack Casagrande

Court documents assert that Mr Casagrande was a director of Urban Waste Disposal from 1982 to 1987 and a shareholder. Mr Casagrande's lawyers claim that he was registered as a director through a clerical error and resigned in 1987.

Also involved is Mr Rocco Velocci, a director of the Attwoods subsidiary at the time it managed the Ocala landfill site. While charges of theft and conspiracy against him were dropped yesterday, he still faces two charges of racketeering and conspiracy to racketeer.

Mr Velocci had been involved in marketing the controversial waste-to-energy machine in Florida and in Long Island New York, where he did so in the company of Mr Salvatore Avellino Jr, an identified member of organised crime who represented the interests of the Mafia's Lucchese family in the Long Island waste industry. Mr Rocco Velocci is a brother of Mr Ralph Velocci who sits on the Attwoods main board.

John Plender presented the Channel Four programme

WORLD TRADE NEWS

Washington and EC close to peace pact over fruit subsidies

By Tim Dickson in Brussels

THE European Community and the US appear to have set the seal on a deal which will limit the level of subsidies paid to EC canners of peaches and pears.

The agreement resolves a dispute which arose last August when Washington notified the EC that new subsidy rates for processors exceeded levels allowed under the terms of a November 1985 US-EC canned fruit agreement.

A US official in Brussels said yesterday that the trade in question is worth between $10m and $20m and involves Greece, Italy and Spain.

When subsequent consultations failed to break the deadlock, the US threatened retaliation under Section 301 of its trade law.

From the beginning of this month, however, the EC has agreed to lower its 1989-90 subsidy rates for canned peaches.

According to the US side, US and EC officials "have clarified their interpretation of the 1985 agreement to forestall future disputes".

Once the modifications to EC regulations have been formally adopted by EC member states the US will drop its so-called "301 Investigation".

Caracas plan to help companies pay debts

By Joe Mann in Caracas

THE Venezuelan Government is working on a financing plan to help private companies repay several billion dollars in overseas debts related to outstanding letters of credit, according to an Administration official.

The president of Venezuela's Central Bank, Mr Pedro Tinoco, told a group of businessmen in Caracas that the plan would provide financing over a 12- to 24-month period, and that it could cover between $3.5bn and $5bn in outstanding letters of credit owed by Venezuelan companies and secured by local commercial banks.

Venezuelan importers, who owe international suppliers an estimated $6bn via letters of credit, were hit hard by a unification of Venezuela's two foreign exchange rates in mid-March of this year.

Prior to the unification, qualified importers could obtain foreign exchange from the central bank at the official exchange rate of 14.5 bolivars per US dollar to settle letters of credit.

Now, however, most importers and others with foreign debts are obliged to purchase foreign exchange on the free market, where the dollar is trading at around 37-38 bolivars. Local currency costs for repaying foreign obligations thus have risen by well over 100 per cent.

Details of the new plan have not yet been revealed, and some businessmen were still pessimistic about prospects for obtaining debt assistance from the state.

For one thing, it is not at all clear how the cash-strapped Venezuelan Government will be able to find money to finance such a plan, especially since it has told the International Monetary Fund that it will reduce its fiscal deficit this year.

The IMF recently approved a three-year credit programme for Venezuela worth around $4.6bn. Earlier this year the Government announced another scheme under which importers could obtain dollars at the old official exchange rate to cover part of their letter of credit obligations.

Last week the Government announced that Venezuelan companies with debts to government-owned export promotion agencies overseas would be able to obtain foreign currency to repay their debts at the old official exchange rates stipulated in foreign exchange agreements signed before the current Administration took office in February of this year.

But this measure only covers a small part of the overall private sector foreign debt problem.

Western textiles suffer cut in orders

By Alice Rawsthorn

THE world textile industry began 1989 sluggishly, with many of the major Western production centres experiencing a fall in output and orders, according to the latest statistics from the International Textile Manufacturers' Federation in Zurich.

Some Asian industries, such as South Korea and Taiwan, boosted textile production in the first quarter, compared with the same period in 1988. But the level of activity across the world industry was relatively depressed.

Some of the most important western European production centres, including West Germany and the UK, saw output fall and stocks rise in the first quarter. The US and Canadian industries also faced difficulties.

The UK textile industry suffered more than most of its competitors. Spinning production levels fell by 24 per cent, while weaving output declined by 8 per cent. The UK weaving sector was also burdened by higher stocks.

Switzerland was the only other country to record lower production levels in both sectors.

West Germany and Italy experienced a fall in spinning output, while Canada and the US suffered pressure on production in the weaving sector.

The spinning sectors of Italy, Japan and South Korea saw stocks increase. The level of weaving stocks rose in South Korea, Pakistan and the US.

As an international industry, world textiles' tends to see its pattern of trade influenced by exchange rate movements. The South Korean and Taiwanese industries benefited from the weakness of the US dollar – to which their currencies are related – by boosting output in spinning and weaving during the first quarter.

The dollar has since strengthened. This may affect the flow of the textile trade by making the Western European industries slightly more competitive against their Asian competitors. But it tends to take several months before changes in exchange rates affect the pattern of the world textile trade.

Japan ponders new ways to run the shop

Talks with US begin soon on structural blocks to trade, writes Peter Montagnon

THE PRICE of golf balls is a subject of considerable interest in Japan. In Tokyo they cost seven times the retail price in New York.

In drawing attention to this disparity at a recent businessmen's lunch in Tokyo, Mr Shigeo Muraoka, vice minister for international affairs at the Ministry of International Trade and Industry (Miti), was doing more than lamenting the high cost of one of Japan's favourite sports.

It was just one example, he said, of big price differentials between Japan and the rest of the world in a wide range of goods and services from electricity to pork chops to taxi-rides. Recognition of this has prompted a belief in Japanese government and business that the internal functioning of the country's economy is inefficient and in need of structural reform.

Enter the administration of President George Bush in the US with its proposal for bilateral talks on structural impediments to trade, and it would be easy to assume that the two countries have at last arrived at some common purpose.

However, Japan retains an abiding suspicion of the US objectives in such talks. The fear in Miti is that they risk being one-sided, based on misconceptions, and could backfire, heightening trade tensions because of unrealistic expectations in Washington of what they can achieve.

The Bush administration's new-found preoccupation with Japan's economic structures stems from the failure of earlier efforts to redress the trade imbalance with Japan through currency depreciation and the removal of physical barriers to trade.

The fact that the US deficit with Europe has shrunk while that with Japan has not suggests to policy-makers in Washington that the root of the problem must lie elsewhere, in the intangible economic and social structures of the country itself.

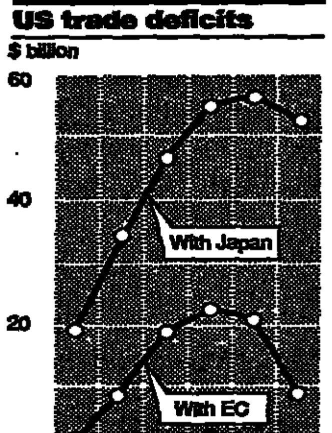
In particular, US attention is focused on Japan's retail distribution system, which is thought to deter imports of consumer goods by making it difficult for large retailers which stock foreign goods to open new outlets.

Lack of competition for public works and other contracts in Japan has also come under scrutiny, because business is routinely shared out among individual companies.

In addition, the land taxation system discourages residential building development. This pushes up housing costs, forcing Japanese to save more and consume less.

Conducted outside the framework of the Super 301 complaints under the US Trade Act of last year, the talks, due to begin at the G7 summit in Paris next week, are to be engaged without any explicit threat of sanctions. The hope is that they will achieve something that US officials privately acknowledge the Super 301 complaint will not – real prospects of a significant reversal of a trade imbalance which last year amounted to $55.4bn in Japan's favour.

US trade deficits



Source: OECD Foreign Trade Statistics

Part of Japan's ambivalence to this approach stems from its concern that the US may have become an unreliable negotiating partner in the wake of the FSX affair, in which the Bush Administration was obliged, under pressure from Congress, to re-open negotiations on the joint development of a new fighter aircraft.

Yet its main fear is that the US will blunder into the talks with demands that are politically difficult and which fail to meet the immediate objective of restoring trade equilibrium.

Within the Japanese government the 4.3 per cent rise in export volume last year has been greeted with some dismay. It is a reminder of an economic dependency regarded as no longer sustainable.

"The post-war emphasis on production must go," says one senior trade official. To achieve this, consumption must be encouraged and the distribution system reformed.

Miti has already moved to announce a change in the application of the retail law which will make it harder for Japan's 1.6m small shopkeepers to block the establishment of large stores. But the law itself is not to be changed and some experts, such as Mr Makuto Kuroda, until last year a top Japanese trade negotiator, doubt whether such a change will make much difference to US exports.

Only 10 per cent of US exports to Japan are consumer goods. Some US companies, such as Coca-Cola and Schick, which controls 70 per cent of the razor market, have successfully established a presence even under the present system.

Some Japanese economists, such as Mr Noya Takebe of the Industrial Bank of Japan, believe the US is wrong to associate Japan's high savings rate so closely with its high land prices. The cost of housing has prompted a wave of "desperate consumption" spending by young people who can no longer afford to buy a house, he says. The savings rate is also the product of Japan's still relatively poor social security benefits.

Japanese officials believe that more inquiry is needed before an internal consensus can be reached on what has to be done. If the talks with the US help in this respect, they are to be welcomed, on condition that the discussion is extended to structural problems facing the US, such as its low savings rate, poor investment record and budget deficit.

Yet they worry that an "over-hasty" approach, as Mr Muraoka describes it, risks stunting internal reform pressures by arousing anti-US feelings. It could put Japan in a bind which some say is worse than the Super 301 action against Japanese trade practices in satellites, supercomputers and wood products.

Though Japan has refused to negotiate on these issues under threat of sanctions, officials say privately that it should be possible to resolve them providing the right forum can be found.

Implicit in the public statements of US officials recently in Tokyo for bilateral talks is the threat that Congress will not be satisfied unless results are achieved quickly.

Frustration could lead either to tougher action against Japan when the Super-301 process is reactivated under the Trade Act next year, or to pressure for managed trade, which Japanese officials now say they abhor.

Worst of all, it could eventually provoke fresh US trade legislation directed specifically at Japan.

Malaysia in chemicals drive

By Lim Siong Hoon in Kuala Lumpur

PETRONAS, Malaysia's national oil company, is to invite international bids in November for a $130m, 80,000-tonne-a-year polypropylene plant, in a move towards building a national petrochemical industry.

It has begun calling for prequalifying applications.

A combined 300,000-tonnes-a-year methyl tertiary butyl ether (mtbe) and 80,000-tonne propylene plant costing $200m is also planned.

Both projects are scheduled to start up simultaneously in 1992.

Liquefied petroleum gas feedstock will be piped in from a gas processing facility in Trengganu State. Methanol will be delivered from Sabah.

The polypropylene project is a departure from the ethylene and polyethylene plans initiated by Petronas in 1982.

Petronas' president, Mr Azizan Zainul Abidin, said recently the oil company preferred to have a minority stake in the ethylene projects, leaving most of them to the private sector.

The company has received several proposals so far, including one from Japan's Idemitsu Petrochemical, one of the mtbe and polypropylene project partners.

Apart from Idemitsu, the Finnish oil corporation Neste Oy also has a minority stake. Petronas will own a majority shareholding, 60 per cent in the mtbe plant and 55 per cent in the polypropylene. Both projects are to be 70 per cent debt-financed.

About half Petronas' polypropylene and mtbe production will be exported to its Asean neighbours and Pacific countries such as South Korea and Taiwan.

In Malaysia, polypropylene consumption last year was 50,000 tonnes, rising at an estimated 8 per cent a year.

Indian group aims to build oil refinery in Dubai

INDIA'S Reliance Industries will raise $540m (£317m) from international capital markets to build an oil refinery in Dubai, subject to Indian government permission, Reliance's director, Mr Anil Ambani, said, Reuter reports from Bombay.

A Dubai government institution, the Kuwaiti Investment Authority, and other international investment companies had expressed interest in the project, Mr Ambani added.

The project, a joint venture with the Dubai government in the Jabal Ali free trade zone, is expected to be on stream by the end of 1991 or early 1992.

"Getting Indian government permission will be no problem," Mr Ambani said.

The project would be the biggest joint venture undertaken by an Indian private sector company, he added. The refinery will have projected annual capacity of 6m tonnes.

Reliance's chairman, Mr Dhirubhai Ambani, said the project would be the first step in his plans to expand his group of three companies outside India and put his group on the world economic map.

"I want it to be in Fortune [magazine's] 500 [top companies of the world]. Dubai is the first step," Mr Ambani added.

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UK NEWS

Labour warns on alignment plan

Tory move 'will jeopardise MEP co-operation'

By Tim Dickson in Brussels

THE leader of the British Labour Party's 45 newly elected Euro-MPs warned yesterday that co-operation between the Socialist and Christian Democrat groups in the new European Parliament will be "seriously threatened" if the latter grouping accepts the "ragged rump" of British Conservatives into its ranks.

Mr Glyn Ford, on his first visit to Brussels since his party's successful performance in the European elections, was commenting on last week's decision by the 32 surviving British Euro-Tories to attempt to align themselves with the Christian Democrats, or EPP, the second largest of the key cross-border political groups in the Strasbourg assembly.

His remarks are significant given the previously close co-operation between the Socialists and the EPP, notably in securing the 260-vote majority in the Parliament needed to influence certain EC legislation.

Mr Ford claimed that the Tories were "routed" during the June 15 elections and that they faced "further humiliation as they scavenge around for an identity in the European Parliament."

He added: "They have been deserted by their former Spanish colleagues, but now they seek a marriage of cash and convenience with the Christian Democrats to whom those Spaniards fled," referring to the earlier defection of the Spanish Conservatives from the European Democratic Group.

Mr Ford, whose Labour Party members will now be the largest national bloc in the 180-strong Socialist Group, said that he hoped the Conservative's advances would "quickly be spurned." He added that he has written to the EPP Group to express his concern.

He reminded the EPP that it could not necessarily count on Socialist support for the widely touted plan to share the presidency of the Parliament between the two groups over the next five years.

Mr Ford said that the British Labour group would use its strength in the new Parliament to open "an important second front on Thatcherism."

Labour, meanwhile, would be giving a "strong push" to environmental issues.

● Labour is to support moves by Australia and France to declare Antarctica a nature reserve.

The issue, discussed last month by Mr Neil Kinnock, Labour leader, and Mr Bob Hawke, Australia's Prime Minister, will be raised at a meeting in Paris in October of the Antarctic Treaty consultative parties.

Yamazaki charged over local content rule

By Nick Garnett

YAMAZAKI, the world's biggest machine tool maker, has failed to meet agreed criteria on local content and technology in its UK production plant, according to a confidential report by the European machine tool makers' association, Cecimo.

Following a visit to the Worcester plant by Cecimo members in April, the association is asking EC officials to monitor and control more closely the European content of machines Yamazaki produces in the UK.

Yamazaki said many figures in the report were incorrect and that the Cecimo members had misunderstood what they had been told during their visit. Local content was between 60 and 70 per cent, the company said.

Yamazaki built the Worcester facility with the help of £5.2m of grants, including one related to the introduction of what is called a flexible manufacturing system (FMS).

The plant began production two years ago. Its production build-up is behind schedule, but Yamazaki says it is making about 65 machines a month and aims to raise production to 75 by the autumn.

The Cecimo report says it does not believe local content is more than 50 per cent. It also says that turnover per worker is about £118,000, compared with £70,000 for a comparable European plant.

Cecimo says the profit should be very high, but the company's accounts do not show this – Yamazaki's UK operations have so far declared a loss.

Mr Less Pratt, Yamazaki's marketing manager in the UK, said the electronics and drives were brought in from Japan, as they are for many British machine tools.

Hydraulics and castings, however, were mainly sourced in the UK. Cecimo was wrong in believing hydraulic equipment came from Japan and castings from South Korea.

Cecimo had used different timescales for figures on turnover, employment and for machine sales, Mr Pratt said. It was also understandable that an operation made a loss during start-up.

Part of the FMS grant was conditional on Yamazaki providing opportunities for technology transfer. The Cecimo report says there is nothing new in the company's FMS.

Mr Pratt said the Worcester plant's tool management and flexible production in sheet metal were new to the UK and the company had welcomed many visitors from the machine tool industry to inspect it.

Advertising market to hit $13.5bn

By Raymond Snoddy

ADVERTISING expenditure in the UK will total $13.45bn this year although the rate of increase is gradually slowing down because of the effects on the consumer and industry of high interest rates and exchange rate policy.

The estimates come in a forecast of worldwide advertising expenditure by Saatchi & Saatchi, the advertising group.

Last year, advertising expenditure in Britain grew by 17.3 per cent to $12bn, a year in which company profits grew by 18 per cent.

Spending on newspapers in the UK this year should total $5.7bn compared with $2.57bn for magazines and $4.2bn for television.

Saatchis believes that the advertising industry will continue to be relatively recession proof and that companies will continue to support brands despite difficult economic circumstances; however, the agency expects the rate of growth to drop to 8.4 per cent in 1990 and 7.8 per cent in 1991.

Spending worldwide on the five major media – print, television, radio, cinema and outdoor – totalled $176bn last year, an increase of 10.8 per cent. Growth of 8.7 per cent is forecast for this year, a rise of 4 per cent in real terms.

Uncertainty over the US economy, according to Saatchis, is continuing to affect the US advertising market.

Last year, growth in GDP exceeded the growth in advertising expenditure – the first time that had happened since 1975.

Total spending in major media totalled $75.8bn with $80.4bn forecast for this year.

Saatchis believes spending on the US television networks will rise by only 3 per cent as cable and local television stations continue to eat into network markets.

Spain remains the fastest growing European advertising market in real terms and is expected to advance at more than 20 per cent a year in constant prices to 1991. It is expected to take one of the top five world advertising markets slots now held by the US, Japan, UK, West Germany and France.

The data in the Saatchi forecast is expressed in US dollars at the average rate for 1988.

* *Advertising Expenditure Forecasts. Saatchi & Saatchi Group, Berkley Square, London W1X 5DH. £100.*

Australian groups agree lignite deal

By Our Belfast Correspondent

TWO Australian groups have reached agreement to continue exploration of a major Northern Ireland lignite deposit which could fuel the province's next power station.

Meekatharra Minerals, the Sydney-based minerals company, has signed a joint venture agreement with BHP-Utah, a unit of Australia's Broken Hill Proprietary Company, to continue investigations near the town of Ballymoney in County Antrim.

Under the terms of the agreement BHP-Utah will hold 50.1 per cent of the equity in the project and will assume responsibility for project development, construction and operation.

Meekatharra will hold the remaining 49.9 per cent and will be reimbursed £1.25m by BHP-Utah in respect of past development expenditures. Meekatharra will also fund the next £2m of continuing project costs.

Meekatharra made a strong case last year that it could provide the cheapest electricity in Europe by developing a mine mouth station at Ballymoney.

It is thought that lignite will eventually have to be exploited to meet Northern Ireland's growing demand for electricity.

Facsimile machine market slows after four boom years

By Terry Dodsworth, Industrial Editor

SALES GROWTH of facsimile machines in the UK has slowed significantly in the last six months after four years of soaring expansion in which the market doubled every year.

The slowdown, which has been accompanied by increasing competition and tighter margins, means that unit sales growth this year will probably show a gain of only 40 per cent on 1988. At the beginning of the year, the industry was forecasting an expansion of at least 50 per cent, and some manufacturers had set their sights higher.

Total sales in 1989 are expected to reach between 270,000 and 280,000 compared with 200,000 last year, when sales grew by a little over 100,000 machines from 98,000 in 1987. In 1984, the industry sold only 10,000 units.

Facsimile manufacturing is dominated by Japanese companies, led in the UK by NEC, Canon and Panasonic with between 15 and 20 per cent of the market each.

During the boom in fax sales, when demand has often outstripped supplies, producers have made handsome financial returns.

Such profitability, however, has brought a rash of new companies into the industry. The number of suppliers has increased from about six just three years ago to 36, with several retailers and service companies such as British Telecom also selling products made for them by Japanese producers.

Manufacturers believe that this year's slower growth is due to a variety of factors. Sales last year were artificially boosted by the postal strike in autumn, which led to a big surge in the market.

At the same time, suppliers say smaller business customers are showing increasing caution over new capital investment at present because of the rise in interest rates. The industry has also lacked any important new technological gimmick to stimulate interest.

Nevertheless producers believe that the fax industry will continue to be a big growth sector over the next few years. About 75 per cent of sales last year were to new users, and it is estimated that only about 15 per cent of Britain's 1.4m small businesses have a machine.

ICI ethylene plans may raise overcapacity fears

By Peter Marsh

IMPERIAL Chemical Industries, Britain's biggest chemicals group, is considering a big expansion in ethylene in a move which may raise fears of overcapacity in the material in the 1990s.

Mr Ralph Hodge, deputy chief executive of ICI's chemicals and polymers group, said the company was examining the possibility of reopening an ethylene plant at its large chemicals complex in north east England.

Capacity would be about 450,000 tonnes a year of ethylene, which is used in plastics and industrial chemicals. That would add to ICI's existing production of 600,000 tonnes a year of ethylene at Teesside: some third of UK output.

Mr Hodge, speaking at a petrochemicals conference, said the cost of restarting the plant, at about £150m, would be roughly half that of a new unit.

The announcement may fuel fears that European chemical industry is preparing for overzealous investment in output of chemicals in the early 1990s. Several big European producers of ethylene have said recently they are considering increasing production.

Conference report, Page 2

Business faces severe graduate shortage

By David Thomas, Education Correspondent

DEMAND for new graduates is so intense this year that two-thirds of employers are experiencing recruitment difficulties, graduate employers reported yesterday.

In consequence, the average starting salary for a 21-year-old graduate with a second class honours degree is expected to be £10,250 this summer – 10.2 per cent up on last year.

At the end of the recruitment season, 7.5 per cent of graduate vacancies will probably remain unfilled, a higher shortfall than last year.

Openings in manufacturing production, computing, finance and accountancy are most likely to stay vacant.

The Association of Graduate Recruiters, representing more than 500 graduate employers, released these comments on this year's graduate recruitment round yesterday.

"It's getting steadily tighter and each year it appears to get worse. The students know it's a seller's market," said Mr Stuart Rochester, the association's secretary and a partner in chartered accountants Neville Russell.

The association, together with the Association of Graduate Careers Advisory Services, representing third level careers officers, is predicting graduate recruitment difficulties for even the best-known companies in the next few years as the number of young people declines.

There are signs too that the programme to complete the internal European market in 1992 is beginning to affect both employers and job hunters.

More UK companies are trying to recruit graduates from continental Europe, but some employers believe the UK will see a net outflow of new graduates to the Continent.

Definitive figures on last year's graduate recruitment round were also published yesterday.

These show a continuing drop in unemployment among new graduates and a growing tendency for students to delay job hunting by taking a year off after college or by waiting until the summer to seek employment.

A new development in 1988 was a slight drop in the proportion of graduates choosing careers in finance, especially banking and insurance, with the manufacturing industry showing some gain.

Mr Rochester said this reflected the financial sector's adverse publicity following the shake out in the City of London after financial deregulation and the stock market crash.

Careers officers reported that employers have this year been considering a broader range of candidates than in the past.

They are reviewing recruitment methods, graduate pay levels, and training and career development opportunities.

They are offering more vacation courses, open days and work experience in a bid to attract final year students.

* *First Destinations of University, Polytechnic and Institutes of Higher Education Graduates of 1988. Central Services Unit, Crawford House, Precinct Centre, Manchester M13 9EP. Three vols for £6.*

Retail sales revised higher as credit continues to rise

By Ralph Atkins, Economics Staff

SIGNS that British consumers may have shrugged off high interest rates came in official figures yesterday showing a record increase in credit and an upward revision to retail sales.

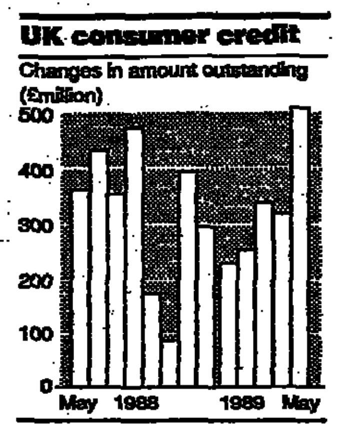
Consumer spending returned to an upward path after remaining flat since last summer, the Department of Trade and Industry figures indicate. Demand for credit also continued to grow despite the steep increase in base rates.

Outstanding consumer credit increased by £505m in May after adjustment for normal seasonal variations. That compared with an average of £300m in the previous three months.

At the same time, retail sales volumes jumped 3.0 per cent – the largest monthly increase for more than two years. Earlier estimates had shown a rise of 2.5 per cent.

The figures suggest consumer confidence remains buoyant, reflecting high earnings, a stable rate of saving and rapid growth in employment. Households may also have readjusted spending behaviour as the full effect of higher mortgage rates has worked through.

However, the retail sales figures continue to point to a marked slowdown since last year. In the three months to May, sales were 4 per cent higher than the corresponding period a year earlier – down from peaks of 7 per cent last summer.



Further strong consumer spending growth would intensify fears of higher interest rates. Mr Nigel Lawson, the Chancellor of the Exchequer, increased rates largely because of the undesirable side-effects of fast economic growth on inflation and imports.

Mr Bill Martin, chief UK economist at UBS Phillips & Drew, said: "Domestic demand is growing faster than the UK's productive potential and the kind of growth rates we are seeing in other countries. . . The consumer ain't dead yet."

The Treasury warned that retail sales figures were often erratic, while May's figures could have been distorted by unseasonally mild weather. It said other indicators such as consumer goods imports and the housing market continued to point to a slowdown in the consumer sector.

The credit figures include lending on bank credit cards and by finance houses, building societies, retailers and other specialists credit providers. They show a jump of £138m in the amount outstanding on bank credit cards during May – compared with £13m in April.

There was also a rebound in lending by retailers, after net repayments in April. Total outstanding consumer credit agreements stood at £28.38bn at the end of May.

New credit advanced, before accounting for repayments, rose by £4.18bn in May, compared with £3.87bn in April.

The DTI's seasonally-adjusted index of retail sales volumes stood at 124.5 (1985=100) in May compared with 120.9 in April.

Railway unions reject 'talks about talks'

By Fiona Thompson and John Gapper

BRITISH Rail abandoned its planned peace talks for today after the three biggest rail unions refused the corporation's invitation for informal "talks about talks" on the rail dispute.

With a third national 24-hour rail strike set to proceed tomorrow, along with a strike by London Underground workers, Mr Paul Channon, the Transport Secretary, said yesterday that Hyde Park and Regent's Park would be opened to create 7,000 free parking spaces.

The National Union of Railwaymen, the Aslef drivers' union and the clerical TSSA union turned down BR's invitation to discuss collective bargaining. The unions want to meet under the auspices of Acas, the conciliation service, to discuss changes to both bargaining machinery and pay, the two issues at the heart of the dispute.

Aslef leaders also confirmed yesterday that its drivers on London Underground will strike tomorrow and ordered a further two 24-hour Tube strikes for Wednesday July 12 and Tuesday July 18.

Aslef's choice of a Tuesday for its Underground strike will leave London commuters facing travel disruption for two successive days as the NUR has voted for an Underground strike on Wednesday July 19, in addition to tomorrow and next Wednesday.

London's 18,000 bus workers are also set to strike tomorrow over their pay claim. This will be their third day of action over a pay offer of 8.3 per cent made by London Buses.

Engineers in British Rail's workshops yesterday voted to join the rail strikes. A postal ballot among 2,500 Amalgamated Engineering Union members produced a large majority in favour of industrial action over the twin issues.

The NUR conference at Newcastle voted unanimously to reject British Rail's invitation for talks on changes to national bargaining machinery, dismissing it as "a meaningless stunt."

Mr Knapp said the union was not prepared to separate the issues of pay and bargaining arrangements. "I do not think we should waste our time going to meetings to talk about talks," he said, "The issues are there. Let's get all our cards out on the table. Let's get down to it."

Trident spending forecast to reach £1bn in 1990

SPENDING on Britain's Trident nuclear submarine programme is expected to rise to an annual peak of £1.025bn in 1990-91, the House of Commons defence committee said in a report yesterday. The rate of expenditure will then decline gradually, writes Lynton McLain.

The committee criticised the Ministry of Defence for having to bear additional costs, in the region of several millions of pounds, because of "a strike for which it had no responsibility" – a reference to the three-month strike at VSEL, the Trident submarine builder, last year.

The contracts for the first two Trident submarines, HMS Vanguard and Victorious, included *force majeure* clauses which allow the company to claim extra time on contracts under certain circumstances, one of which was an industrial dispute affecting the company or a sub-contractor.

By the end of last year, nearly a quarter of the total budget for Trident, just over £2bn, had been spent, with 44 per cent of the expenditure committed by December 1988.

Merger to create biggest UK circuit board maker

EXACTA, an unquoted maker of printed circuit boards, has agreed to take over Bepi, another Scottish printed circuit board maker, in a £6.2m deal with Cambridge Electronic Industries, Bepi's sole shareholder, writes James Buxton.

The transaction will create what is in terms of turnover the UK's largest maker of printed circuit boards (PCBs), which are an important component of electronics products.

Under the agreement, which should be finalised in the next few days, Exacta is paying £3.15m in cash for Bepi and issuing 150,000 shares in Exacta to CEI. That will give CEI 20 per cent of Exacta.

Mr Derek Bumpstead, managing director of Exacta, said that the deal was an amicable one, and a logical development for the two neighbouring companies, which have complementary areas of operation.

Exacta, based at Selkirk, had 1988 sales of £24.4m on which it made a pre-tax profit of £1.85m. Bepi, based at Galashiels, had sales of £12.6m in 1988 and made a pre-tax profit of £748,000.

Sunday post service to resume as prices rise

By Terry Dodsworth, Industrial Editor

BRITAIN's first and second class stamps will cost 1p more in October, an increase of about 7 per cent for second class mail and 5.3 per cent for letters sent by the faster first class service.

The rises, from 14p and 19p in each case, come just a year after the last stamp price rises. They were announced yesterday at the same time as a decision to begin the reintroduction of Sunday postal collections, also in October.

The Post Office plans to invest about £20m a year in the new collection service from selected post boxes.

Giving details of the price increases to the Post Office Users' National Council yesterday, Mr Bill Cockburn, managing director of the Royal Mail, said that they were well below the rate of inflation.

Including the rises for the higher weight inland letters, the increases would amount to 6.4 per cent overall, compared with the inflation rate of about 8 per cent, he said.

He said UK letter prices have fallen 12 per cent in real terms in the last five years against the retail price index.

Mr Cockburn added that the higher prices would help to pay for the Post Office's service improvement programme and for a big increase in capital expenditure. Spending was planned to double in the posts business in the next five years to £1.3bn.

Sunday collections were abandoned in 1976 when the Post Office hit a financial crisis and needed to cut costs.

Despite the drain on profits caused by the postal strike last September, which was calculated to have cost the Post Office about £40m, the company made a £12m operating profit at the half year.

The Post Office said yesterday that the cost of introducing the new collections service would include the use of 4,500 vehicles on Sundays, chartered aircraft, and 4,500 employees.

BMA attacks plan to penalise doctors

By Alan Pike

THE GOVERNMENT was yesterday accused of hypocrisy and cynicism over its attempts to impose financial penalties on family doctors who fail to meet preventive medicine targets.

Dr John Marks, chairman of the British Medical Association council, said at the opening of the association's conference in Swansea, south Wales, that the diseases to which the targets would apply – cervical cancer and childhood infections such as mumps, measles and whooping cough – were important but in a different league of killers from alcohol and tobacco.

Yet there did not appear to be any strong move towards introducing random breath-testing, while the failure of the Government to increase taxation on alcohol and tobacco was nothing short of disgraceful.

"Tobacco kills 10,000 people a year in this country but opposing the tobacco lobby is not as politically rewarding to government as doctor-bashing," Dr Marks said.

Representatives of Britain's 32,000 family doctors last month narrowly rejected proposals for a new contract containing the preventive medicine targets. However, if this is not reversed in a ballot of all family doctors, Mr Kenneth Clark, Health Secretary, is expected to impose the contract from April.

Today the conference will debate the Government's proposed health reforms to which the association is mounting strong opposition.

Dr Marks said yesterday that when the Government announced the review which led to the policy document no one could have envisaged that it would lead to such a root and branch attack on the health service.

Doctors could not have imagined that their advice would be treated as if it did not exist, but this was what had happened. Nothing in the policy document dealt with the main issue which had bedevilled the National Health Service for many years – chronic underfunding.

FT LAW REPORTS

Pension is not deductible from redundancy money

ROYAL ORDNANCE PLC v PILKINGTON

Court of Appeal (Lord Justice Neill, Lord Justice Bingham and Lord Justice Mann): June 29 1989

AN EMPLOYER'S right to set off an employee's pension against his redundancy pay arises only if the pension is to be paid when he leaves his employment or within 90 weeks after he has left. And accordingly, on a transfer of employment from one undertaking to another, pension earned with the transferor and paid after transfer is not deductible from redundancy money due from the transferee despite the deemed continuity of employment, if it was paid or began to be paid when the employee reached 60 before his dismissal for redundancy.

The Court of Appeal so held when allowing an appeal by Mr Leslie Pilkington from an Employment Appeal Tribunal decision that his employer, Royal Ordnance plc, was entitled to set off his pension against his redundancy money.

Regulation 4(1) of the Redundancy Payments Pensions Regulations 1965 provides: "These Regulations apply . . . where an *employee who . . . would* be entitled to a redundancy payment from an employer has the right. . to a pension . . . which – (a)is to be paid by reference to the employee's last period of continuous employment with that employer; (b)(i)if it is a lump sum it is to be paid, or (ii)if it is a periodical payment it is to begin to accrue at the time when the employee leaves the employment with that employer or within 90 weeks thereafter."

LORD JUSTICE NEILL said that on June 29 1959 Mr Pilkington joined the Ministry of Defence at a Royal Ordnance factory at Blackburn, as a progress and general supervisor.

From then until January 2 1985 he was a civil servant and his employment was covered by the Principal Civil Service Pension Scheme (PCSPS).

As a civil servant he had no right to statutory redundancy payments, but there were provisions under an alternative scheme which came to an end at the age of 60. After 60 a pension became payable by periodical payments and a lump sum.

On May 20 1982 it was announced in Parliament that subject to Parliamentary approval, Royal Ordnance factories should no longer operate under the Government Trading Funds Act 1973, but should operate under the Companies Acts.

The plan was approved and the Ordnance Factories and Military Services Act 1984 received the Royal assent.

On December 21 1984 Mr Pilkington received a letter informing him that he would cease to be a civil servant, and would no longer be able to continue in the PCSPS. The vesting day was January 2 1985, and on that date, about six months before Mr Pilkington reached 60, he transferred to the employment of the company, Royal Ordnance plc.

Mr Pilkington was given two options relating to his pension after he joined the company.

Under the first he would transfer all his accumulated benefits from 1959 into a new contributory scheme. Under the alternative he would allow his existing benefits to be frozen up to the age of 60, and then join the new scheme.

He chose the second option.

Immediately before vesting day on January 2 1985, Mr Pilkington had diminishing rights under the PCSPS. On vesting day he lost those rights but for the remaining six months or so he had identical rights under the company scheme.

After vesting day he became entitled to claim statutory redundancy rights.

On June 23 1985 Mr Pilkington reached 60. He lost his right to redundancy pay under the company scheme, but retained his statutory rights. At that point he received a lump sum of £7,500 and an annual pension of about £2,500.

Towards the end of 1986 the need for redundancies in the company arose. Mr Pilkington was selected. On April 3 1987 he left the company, dismissed on the grounds of redundancy.

Shortly before his dismissal the personnel manager wrote to him about his statutory redundancy pay.

He said that Mr Pilkington would be entitled to statutory redundancy pay of £4,740, but that sum was to be offset by the annual value of his pension and lump sum, thus eliminating the statutory payment.

Mr Pilkington applied for full redundancy payment.

An industrial tribunal held that the company was not entitled to offset pension benefits earned with Mr Pilkington's previous employer, the Ministry of Defence. The Employment Appeal Tribunal allowed an appeal by the company. Mr Pilkington now appealed.

On the appeal the question was as to the proper construction of regulation 4(1) of the Redundancy Payments Pensions Regulations 1965.

It was not disputed that for the purpose of calculating his redundancy rights Mr Pilkington was to be treated as if he had been continuously employed by the company since 1959, nor that the company was entitled to deduct the lump sum and pension payable in respect *of his actual* service with the company between January 1985 and April 1987.

The issue was whether the company was *entitled* to deduct the sum payable in respect of his earlier service in the Ministry of Defence between 1959 and vesting day, January 2 1985.

The 1965 Regulations had effect as though they had been made under section 98(1) of the Employment Protection (Consolidation) Act 1978, the enabling provision now in force.

Section 98 empowered the Secretary of State to make regulations excluding the right to redundancy payments where an employee had a right to a periodical payment or lump sum pension, to be paid by reference to his employment "by a particular employer . . . when he leaves that employment."

Regulation 5(1) of the 1965 Regulations entitled an employer, by giving notice in writing to an employee, to exclude his right to redundancy payment.

Regulation 4(1) provided that the Regulations applied where an employee who would be entitled to a redundancy payment from an employer had the right to a pension which was (a) to be paid by reference to the employee's last period of continuous employment with "that employer"; and (b)if it was to be paid, or to begin to accrue, when the employee left the employment with "that employer" or within 90 weeks thereafter.

Mr McMullen for Mr Pilkington submitted first that the pension was not paid by reference to the employee's last period of continuous employment with "that employer," namely the company, but by reference to his employment the Ministry of Defence.

He said Mr Pilkington had elected to freeze his rights under the Ministry of Defence pension scheme, and that his earlier pension had nothing to do with the company.

Mrs Smith for the company argued that the matter was governed by regulation 5(1) of the Transfer of Undertakings Regulations 1981, when read in conjunction with the Ordnance Factories and Military Services Act 1984.

She said that the regulation effected a statutory novation of the contract of employment when Mr Pilkington was transferred to the company's employment on vesting day.

Regulation 5(1) provided that the contract of employment had effect after the transfer "as if originally *made* between the person so employed and the transferee." The 1984 Act provided that regulation 5 should take effect "as nearly as the circumstances permit."

Mrs Smith's argument was correct. The effect of regulation 5(1) was to require a person whose employment had been transferred, to be treated as though employed throughout by the transferee company.

In the present case, therefore, Mr Pilkington was deemed to have been employed by the company since 1959, although his employment did not in fact begin until January 2 1985.

Mr McMullen had, however, a second argument.

He contended that a pension could only qualify for deduction if it satisfied not only regulation 4(1)(a) of the 1965 Regulations, but also 4(1)(b).

Regulation 4(1)(b) stipulated that the Regulations applied where the pension was a lump sum, if it was "to be paid" when the employee left the employment with *"that employer" or* within 90 weeks thereafter; and where it was a periodical payment, if it was "to begin to accrue" at the time of leaving or within 90 weeks thereafter.

Mr Pilkington received his pension in June 1985 when the lump sum was paid and when the periodical payments began to accrue. That happened before he left the company's employment.

It followed that the pension he received from *his service* with the Ministry of Defence did not fall within regulation 4(1)(b), though it did fall within 4(1)(a).

Both conditions had to be satisfied, *however* and, as the second condition was not satisfied, the 1965 Regulations did not apply to Mr Pilkington's pension.

Accordingly, the Ministry of Defence pension could not be set off against the redundancy payment.

Mr Pilkington's appeal was allowed.

LORD JUSTICE BINGHAM agreeing said that in *British Telecommunications v Burwell [1986] ICR* 35 the Employment Appeal Tribunal reached a different conclusion on very similar facts. That decision was not reconcilable with the language of the the 1978 Act and the 1965 Regulations.

Lord Justice Mann also agreed.

For Mr Pilkington: Jeremy McMullen (Gasters).
For the company: Janet Smith QC and Anthony Cross (Forbes & Partners, Blackburn).

Rachel Davies
Barrister

هكذا من الاهل

ASTRONAUT WANTED
NO EXPERIENCE NECESSARY.

GLAVCOSMOS, the Soviet Space Administration, has offered a place to a British astronaut on a space flight in 1991.

Whoever is chosen will have had no experience because no Briton has ever flown in space ■ He or she will automatically write themselves into the history books ■ It is fitting that the flight is scheduled to take off on the 30th anniversary of Yuri Gagarin's historic first manned space flight on the 12th April 1991. It will be called the 'Juno' Mission.

The flight touches down eight days later.

The First ANGLO-SOVIET *Space Mission.*

The eight days in space will be spent on the Soviet Space Station MIR from which the British astronaut will conduct scientific experiments ■ The MIR Orbital Space Station is a permanently operating 'laboratory in space' which has been orbiting earth since it first became fully operational in February 1988.

The British astronaut will become a full member of the Anglo-Soviet flight team fulfilling the tasks of an astronaut as well as conducting a series of scientific experiments ■ The mission is carrying no passengers.

The PURPOSE *of the Mission.*

The aim is to conduct a series of scientific experiments in space which exploit the virtual absence of effective gravity in an orbiting spacecraft.

Most of the microgravity experiments will be carried out in order to advance our knowledge in basic science, others will demonstrate important principles in education and a few will test advances in space technology ■ The work will encompass biological experiments involving plants, cells, bacteria, and the astronaut.

Experiments in material science will include the growing of crystals, particularly of proteins, possibly the development of alloys, and the study of fluids under conditions which it is not possible to replicate on Earth.

The First COMMERCIAL *Space Flight.*

The mission is the first commercial joint venture between the Soviet Space Administration and British industry.

In fact it's the first ever commercially supported manned space mission of its kind anywhere in this world. (Up until now commercial opportunities in space have been limited to unmanned satellite launches) ■ The mission will be funded by companies paying for the research capabilities of the mission as well as by sponsorship ■ (Previous flights from both East and West have been funded by their governments or space agencies and although it will be the first private enterprise space mission, it is operating with the full knowledge and consent of the respective governments).

This will without doubt be just the first of many commercial flights into space, as space becomes an increasingly viable product both academically and commercially.

How is The Mission FINANCED?

The catalyst behind the mission is the Moscow Narodny Bank ■ This is a City of London bank which this year celebrates its 70th birthday as an established British incorporated bank.

It specialises in joint ventures and project finance and has provided the seed finance for the marketing and sponsorship raising campaigns ■ By co-operating closely with Licensintorg (foreign trade agents for Glavcosmos), the bank helped Glavcosmos enter commercial markets, internationally, for the first time ■ The Russian word for it is Perestroika.

The mission will raise £16M in revenue from the research capability and sponsorship ■ Commercial organisations will be able to sponsor the flight, the astronaut, or even supply products or services for the mission.

There will naturally be a programme of media events providing coverage of the mission around the world and it will also generate educational programmes, exhibitions and lectures.

Who's at The Mission CONTROLS?

The selection process for the British astronaut, and the design and construction of much of the equipment which will be used to carry out the experiments devised by industry and universities, will be carried out at Brunel University.

The Brunel Institute for Bioengineering is one of the very few organisations in the UK with experience in the microgravity field and will act as the focus for this work.

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Applicants will be aged 21-40 and possess a formal scientific training in either biology, applied physics, engineering or medicine, combined with good manual dexterity.

Successful applicants will have proven ability to learn a foreign language and have a high standard of medical fitness ■ They will also have the ability to work as a member of a team and communicate easily with people from a different background and culture.

The SELECTION *Process.*

Candidate assessment starts this month and at later stages will include a series of demanding medical, psychological, aptitude and stress tests.

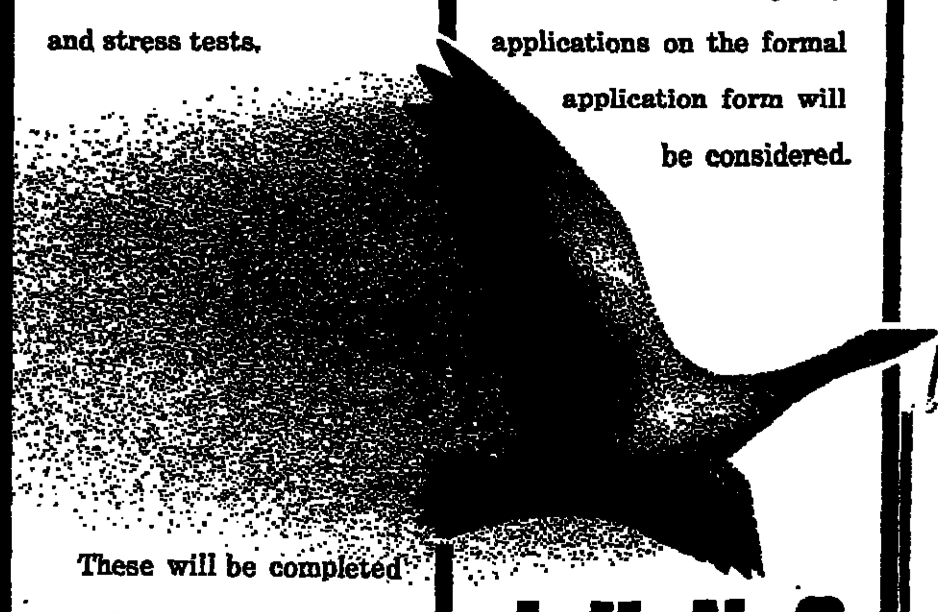
These will be completed by November 1989 when two final candidates will be selected to undergo a full schedule of training in the Soviet Union at the Gagarin Centre, Star City ■ One candidate will fly on the mission, whilst the other acts as back-up with duties in the running of control experiments at ground level which will be based at a laboratory close to the launch site.

How to APPLY.

There is no coupon to clip and send.

The Mission has employed MSL International (UK) Limited as recruitment consultants. They are at 32 Aybrook Street, London W1M 3JL ■ To obtain an application form please phone 01-224 2211 (16 lines) between 9am and 7pm on weekdays and 10am and 5pm at weekends ■ The line will remain open until Friday 14th July 1989.

The application closing date is Monday 24th July. Only applications on the formal application form will be considered.



JUNO
ДЖЮНО
THE FIRST ANGLO-SOVIET SPACE MISSION ■

How Beaver dammed the flow of foreign machine tools

Nick Garnett reports on the survival instinct demonstrated by a small private British company

Tony Balding remembers the day in 1978 he walked into the North American machine tool show in Chicago and scanned the array of new Japanese metal-cutting machines on display.

Enclosed in cabinets, operated by computer controls and with machining "beds" slanted to allow easy disposal of waste metal, these new style machines were destined to ruin a lot of machine tool makers in Britain, the US and France. "When we saw these machines we knew that we had to revamp our company or call it a day. It was as simple as that," says Balding.

Beaver, the family-owned machine tool maker which Balding's father Victor started in Norwich in 1951, and of which he is managing director, did not call it a day. In the grimy, underfunded and much-shrunken British machine tool industry, the little business has proved to be a gritty survivor, never failing to make a profit even through recession.

"The machine tool industry has gone through hell in this country," says Balding, casting his eye across the shop floor of his company's main factory, a rather cluttered, jumbled working space, but busily meeting a bulging order book. "So many companies have gone down or ended up completely finished. That concentrates your mind. I won't let it happen here."

The company with the drawing of a blue buck-toothed beaver on its logo is a good example of the survival instinct inherent in a family business but also of the limitations of such a species, particularly in Britain.

Though continuously profitable, Beaver has demonstrated a financial performance that is somewhat short of earth-shaking. Its yearly sales hover around £12m. With nearly 300 employees that is a turnover of less than £40,000 per employee. The best ever profit return on sales was 7.5 per cent.

If it had been a publicly quoted company, facing the consequent pressure to perform, Beaver would probably have gone the way of large chunks of the British machine tool industry. Some West German companies which started off in family ownership around the same time have sales ten to 15 times that of the Norfolk company.

Half a dozen British-based machine tool builders have significantly bigger turnovers, and some, like Bridgeport, based in Leicester with sales of £60m, have far superior production plants.

But in a British industry that is still contracting floorspace and rationalising products – even if factories are busy – Beaver is proving to be an investor. Already a producer of machining centres for manufacturing angled components, in 1984 for the first time it started manufacturing its own in-house designed lathes for machining round parts.

"We used to import them for sale from Yang Iron in Taiwan and latterly from PPL in Italy but we had no control over the product. So we decided to design and build our own turning centres," says Balding, 42. Beaver opened a new production plant and assembly hall in Peterborough last year to continue this work.

It also opened a component manufacturing hall in Suffolk in 1986 and has contracted to sell the factory and six-acre site in Norwich next year, the proceeds from which will buy a nine-acre site and purpose-built plant on cheaper land further from the town centre. "It will all be ploughed back into the company," Balding says.

Beaver has recently spent £700,000 developing a new large horizontal machining centre and claims to spend between 7 and 10 per cent of sales on new equipment and product development. Beaver has also had some success as a licensor with two of the largest machine builders in India making Beaver machines.

Like most British machine tool makers, Beaver has faced severe pricing constraints. "Seven years ago, a 2.5 tonne machining centre sold for £41,500. The equivalent of that machine now weighs 5 tonnes, has twice the power and sells for £36,300. That is an awful cost pressure."

Like much of the British industry too, Beaver spent too long producing lower cost machines, an area that has suffered from aggressive pricing from Taiwanese makers. The West German machine tool industry has long fled this product zone. Beaver has gone further upmarket in the past two years; the 300 machines it sold last year ranged in price from £36,000 to £250,000. It is also doing far more customisation, adding carousels and other handling devices to meet individual company requirements.

Beaver still displays some of the plant inefficiencies which continue to bedevil parts of British industry though Beaver is attempting to sort these out. The time it takes to get a raw casting to finished machine assembly has tumbled in the past few years from twelve weeks to twelve days.

Balding was not alone among British machine tool managers at being surprised – and not a little ashamed – when he first visited the plant opened in Worcester two years ago by Yamazaki, the Japanese machine tool maker. Its large, carpeted reception areas, enclosed garden and high-tech, virtually unmanned machining shop floor made a stark contrast with the old tatty buildings that still pervade British mechanical engineering.

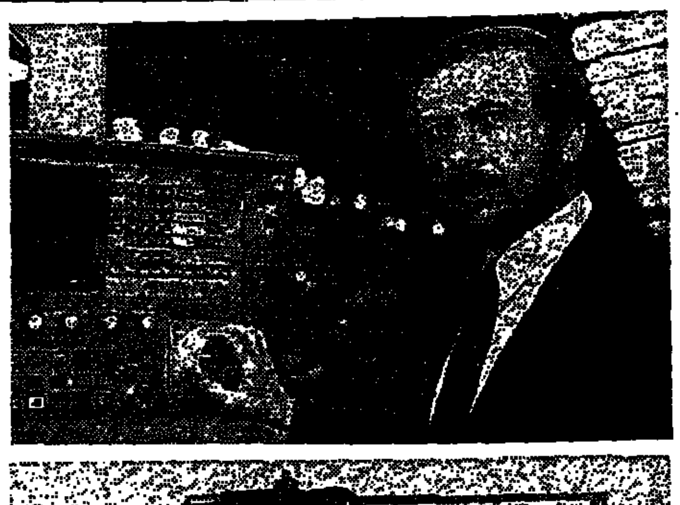
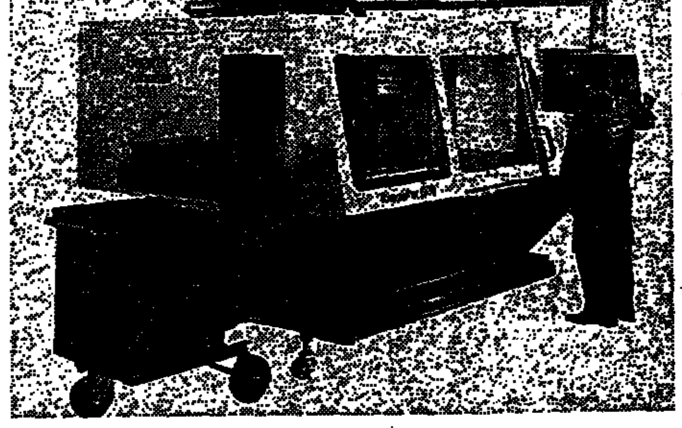
He went back and jazzed up the reception area at the existing Norwich site; the new Norwich plant has been designed with open-plan bays and a flow system of components entering the plant to final machine assembly.

If Beaver is a typical small family-owned British manufacturer, it is untypical in the impatience Balding displays with what he sees as a pervasive anti-industrial culture promoted by the present, and previous governments.

"I don't want to sound like a moaning Minnie but some problems have got to be faced. I don't think the government has any idea how difficult it is going to be to rebuild a lot of industry that has been lost. It is probably too high a hurdle for the country to clear. For instance, I think the tax structure here is not conducive to corporate investment.

"You've got to have a positive approach nationally that says there must be a strong manufacturing sector. If you haven't, you go backwards with your balance of payments."

Balding has raised a few eyebrows within his own industry because of his forceful criticisms of British machine tool making at a time when many plants are busy meeting a generally strong European demand. Says Balding: "In the long run, some of these companies just will not survive."



Tony Balding (top): Beaver spends between 7 and 10 per cent of sales on new equipment and product development

Experience of the Elephant

THE Government's recently introduced scheme for Training and Enterprise Councils poses both a threat to and an opportunity for the future of job creation and small business support organisations that rely heavily on local authority funding.

This is one of the conclusions of a study by four MBA students at the London Business School. The students have based their views on a detailed look at Elephant Enterprises. Supported by the London Borough of Southwark, the organisation has over the past five years been providing advice and subsidised premises to unemployed people in the borough who wish to start their own business.

The effect of the TECs, according to the study, will be to reduce the role played by local government in providing job creation services. They say that the Government has shifted its emphasis away from supporting self-employment towards re-training via employment training schemes.

The study maintains that organisations like Elephant "cannot continue to operate in isolation." Co-operation with complementary agencies and the establishment of strong links with TECs will be essential; but, if successfully achieved, "will also allow these small organisations to escape the one year 'funding trap' that can reduce their effectiveness."

The study suggests that Elephant should adopt a more businesslike approach to its own structure and policy-making – though, overall, it finds the quality of its advice services praiseworthy.

Elephant should develop a three-year business plan with measurable targets and performance criteria for the services provided. It should also, maintains the study, limit Elephant's activities to specialist areas of advice and help to small start-ups and develop relations with bodies like Business in the Community (the umbrella organisation for enterprise agencies).

Reverend Peter Cahllen, chair of Elephant Jobs, says: "We want to continue to create employment for people with skills and determination but no financial resources or business expertise, but to do this we have to be able to take advantage of government initiatives and to respond effectively to local needs."

Filling the gaps in knowledge

A study costing £1.4m is to be carried out to assess whether the unprecedented recent growth in the UK small business sector is likely to continue.

The project has £1m worth of funding from the Economic and Social Research Council (ESRC) while a further £400,000 - slightly less than the organisers first hoped - has been raised from private and public sector sponsors: Barclays Bank, the UK Department of Employment, the Rural Development Commission and the Enterprise Directorate of the European Commission.

The study is claimed to be the most comprehensive analysis ever undertaken in the UK of the problems peculiar to small business. The small firms sector has been the subject of intense scrutiny in recent years by governments, the private sector and academics but there are still large gaps in the knowledge of its contribution to the economy and how it can best be encouraged.

The ESRC says that increasing competition from continental Europe after 1992, the development of new information technologies and a growing services, as against manufacturing, sector will affect the prospects for small firms.

"The conditions which have allowed 1.5m new businesses to set up in the past decade will change radically over the next ten years," says Professor Howard Newby, chairman of the ESRC. "If small business is to continue to thrive we are determined to obtain a clear understanding of these long term changes and how they affect the prospects for individual small firms."

The programme will be split into projects carried out at three different institutions while individual researchers will supplement this work with an additional 13 projects. Cambridge University will look at the constraints on the creation and survival of small business; the relationship between availability of local employees and smaller firms will be researched by a team at the Institute of Manpower Studies at Sussex University; while Kingston Polytechnic will research small businesses in the service sector.

The studies will concentrate largely on the small firms climate in Britain but two of the projects will look at support programmes for small firms in Britain, France and Belgium and at co-operatives and small private firms in Mediterranean Europe.

The entire programme will be co-ordinated by David Storey of the Small and Medium Size Enterprise Centre at the University of Warwick.

In brief...

■ A pack of new brochures aimed at answering many of the questions which face those starting up in business for the first time has been launched by the Department of Employment.

Services for Small Business provides an overview of the help which is available with a list of contact organisations.

Starting and Running Your Own Business gives a succinct description of many of the issues which new businesses must address. Cash flow forecasts, business plans, premises, the law and marketing are among the subjects covered.

Working for Yourself provides practical advice on the daunting but essential questions such as registering for VAT and paying National Insurance Contributions.

Available free from the Department of Employment, Caxton House, Tothill Street, London SW1H 9NF, and from local offices of the Small Firms Service.

■ Are you suited to starting up in business on your own? 3i, Britain's largest provider of venture and development capital, has published a guide* to "what it takes to bring into being the kind of business most likely to succeed."

Entrepreneurial qualities such as determination, drive and boldness are vital but managerial experience often makes the difference between success and failure, says 3i. Successful start-ups tend to be run by teams of individuals who previously held senior positions in a larger company but are ambitious to start out on their own.

3i, like other venture capitalists, prefers to back balanced teams of managers, consisting of people with skills such as marketing, finance and production. Such teams succeed more often if the people have actually worked together rather than if they just know each other socially or are colleagues who have been recruited by a managing director.

Management Start-up is available from Marketing Department, 3i, 91 Waterloo Road, London SE1 8XP or local 3i offices.

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Life and death in Paris

William Packer on Michaelangelo and other exhibitions

As Paris fills up in this July of the "Bicentenaire" it is the citadels of Art that are being stormed, if the patient queues snaking away from the Pyramid of the Louvre and around the side of the Musée d'Orsay can be said to constitute the Mob. Once inside, the pressure eases somewhat, as the crowds are diffused through the great new spaces of the museums. All have special exhibitions and none, in my experience last week, is unduly crowded. For the moment the museums themselves are the principal exhibits – the grand and echoing old station; the Louvre with its new, subterranean heart and the old familiar galleries in process of rehanging and restoration.

Michaelangelo the draughtsman (until July 31: sponsored by Olivetti) occupies one of the smaller new exhibition spaces, below the old Pavillon Denon, by which one used to enter the Louvre. At 72 works, it is not a large exhibition, but substantial enough. An artist such as Michaelangelo always presents a certain problem by the expectations he raises, and the popular assumption that every product of a genius must be a masterpiece. Rarity, too, is a great enhancer, and by the mere fact of its survival over the centuries, a piece of paper does seem to acquire a quality and celebrity, whatever the nature of the marks it might carry.

Michaelangelo is in no sense a disappointment. Many of these things are ravishing in themselves and astonishing for their virtuosity. But the virtue in seeing even this number of his drawings together, lies as much in confronting his fallible humanity as his genius. Drawing, of all the arts, brings us closest to the intimate presence of the artist, by the direct touch of his hand on the page and the sense of his private thought taken up, developed, broken off. The point is that false starts are made, drawings go wrong, the model moves, the idea changes, interest shifts, time passes. And the best drawings do not always survive.

Here we follow Michaelangelo from youth to age and through various projects and studies for painting, sculpture and architecture. The excitement lies in discovering not just his known precocity, but the rapidity of his maturity and the peculiarly vigorous quality of his originality. Other young artists other than Michaelangelo have copied from the masters and studied the nude. His three early figures, c.1495, supposedly after Masaccio, evince a clear sculptural simplicity and grandeur, that recall a youthful remark of Henry Moore, over 500 years later, who shared the interest, that "Giotto's painting is the finest sculpture I met in Italy." But the interest is in their provenance from Michaelangelo, for in themselves they are more conventional, in manner and technique, than truly remarkable.


Michaelangelo's Nude Girl Kneeling

But soon into the 16th century comes the manifest explosion of energy, with the male or androgynous figures that turn and move with such authority and power. It is not a naturalism that he gives us, but a natural expressionism, for he is the first great expressionist. We follow him in freeing himself from the conventional method of his time, of cross-hatching within the contour to achieve the tone. He moves round, across and through the form in order to describe it, moving back into the form from the contour, even dispensing with the contour altogether. He works back into the tone he establishes, rubbing, smudging, heightening the surface to realise the form. All is life and movement. By the time, in the years around 1510, of the drawings for the Sistine Chapel, such as the magnificent study for the Libyan Sybil, a manner has been achieved which would itself become conventional and academic, but in his hands is both personal and yet the epitome of the high renaissance. We are there as a moment arrives, a corner is turned.

At the furthest tip of the Louvre, in the special galleries of the Pavillon de Flore – where, by the porte Jaujard, the clever visitor may avoid the queues altogether – more drawings are being shown, but more for their documentary and anecdotal than their aesthetic interest. *A Collector during the Revolution* (until July 24), Jean Louis Soulavie was a priest and scholar sympathetic to the Revolution itself yet conscious of the darker forces it set free. The works he acquired are essentially documentary and circumstantial, often anonymous, drawings made on the spot or soon after the event: cartoons and pamphlets, prints and portraits. Most familiar is the rapid note that David made of Marie Antoinette, rough bonnet on her head and hands tied behind her back, as the tumbril drew her past his window in the rue St Honore. But quite as poignant, and beautiful besides, are the anonymous portraits in pastel of individual prisoners, taken in the short interval before their execution, with a note of who they are and their fatal dates below.

At the Musée d'Orsay, *1889: the Eiffel Tower & the Universal Exhibition* (until August 15: sponsored by Ricoh) is another obviously documentary exercise, and full of fascinating material. A map of that extraordinary celebration of the "centenaire," that filled the *Champs de Mars*, lies underfoot. Architects' drawings and photographs of the national pavilions and the halls to Science, Industry and the Arts, show just how enormous was the undertaking. All but the most extraordinary trace of it has now gone.

M. Eiffel's great tower is the of course the central motif, from the first competitive proposals for its construction, and the fascinating photographic sequence of its actual erection, to later suggestions for its adaptation. Artists responded to it from the start, with Henri Riviere's *36 views*, a suite of prints after the manner of the Japanese the most charming, Robert Delaunay's idiosyncratic cubist versions the most radical.

Le nozze di Figaro

GLYNDEBOURNE

The new production of *Le nozze di Figaro* (sponsored by Waterford Wedgwood) marks a notable departure from hallowed Glyndebourne practice: the Orchestra of The Age of Enlightenment is in the pit, not the LPO. In other words, period-instrument Mozart has arrived in these Mozartian *Heil'gen Hallen* at last. Simon Rattle conducts his first opera-house *Figaro*, Peter Hall undertakes his second Glyndebourne production of the opera, this time in the sets and costumes of John Gunter; Sunday's performance launched the Rattle-Hall Mozart partnership, which is expected to pursue this particular path in the coming decade.

Best things first: the sound of the instruments in this dry (but, for them, properly accommodating) auditorium, which consistently lent vitality, zest, and purpose to an otherwise bland, under-achieved evening. Rattle has publicly declared his distaste for streamlined smoothness in Mozart; and his exploration of the opera in these circumstances already reveals a joy in the opportunities for sharpened textural contrast, increased dynamic range (startling in such passages as the Susanna-Cherubino Act 2 *duettino of desperation*, "Aprite, presto aprite"), an added intensity in every harmonic progression, a general expressive heightening, that was directly conveyed to the audience.

None of the familiar misgivings about tuning and proficiency could be countenanced: the playing (horns and oboes not excluded!) was of superb quality all evening, sappy, picturesque, full of snap and bite, full also of the special intimacy, the at-one-ness with vocal tone and texture, that are the special benefits of such an orchestral complement.

The balance was not yet quite assured all the way through (in Mozart's day, of course, the sunken orchestra pit was nonexistent); and, given the character of the orchestral basis for this *Figaro*, one regrets the apparent failure to establish a parallel vocal style. Among the principals, a disappointingly uneven crew, only Joan Rodgers's exquisitely beautiful Susanna, light-voiced, delicate in application of colour-tints, gloriously quick-spirited and intelligent, seizes those already-mentioned benefits and makes them her own. Elsewhere, vocal generalization is the order of the day, which makes the copious application of appoggiaturas and cadenzas to the vocal lines less of a boon than it ought to be – added ornamentation such as that knitted into the final stanza of "Voi che sapete," which sounds "written-in," not spontaneous, not naturally expressive, is actually something of a trial.


Alastair Muir

Joan Rodgers and William Shimell

Peter Hall's first Glyndebourne *Figaro*, in 1973, marked the start of his great Da Ponte triptych of the 1970s, an achievement of extraordinary seriousness, precise aim, finesse of detail. Anyone in Sunday's audience who admired it, and also his *Giovanni* and Cosi, will have pitched expectations high for Sunday's performance. Unreasonably high, perhaps – although it does not seem to me unreasonable to expect that a producer who showed such acute understanding of Mozartian musical and dramatic tensions, such "inside" sense of the characters' emotional life, might have developed still further along those lines in the intervening period.

On this evidence, and with the proviso that first-night nerves appeared to be particularly taut on this occasion, I fear that the new *Figaro* is a poor exchange for the old. For one thing, it is notably less well designed. The detailing is fussily 18th century. Stucco satyrs, nymphs and lovebirds sit on the arch-frame, supplying a visual motto for each act; but the textures, colours and spatial disposition of the first two acts are cluttered and coarse – the Countess's bedroom, with its sheer draped curtains and salmon-shaded four-poster, looks like the "Figaro Suite" of an English Heritage hotel, and the Countess's costumes and wig do not sit at all flatteringly on Gunnel Lindblom's tall figure and handsome sharp profile.

More important, the staging seems at once overworked and under-focussed. Some scenes are irritatingly elaborate in their "choreography:" Cherubino not only sings "Non so più", but prances around a chair, leans on it, turns Susanna upside down on it, and generally acts out what amounts to a parallel scenario – a kind of imposed fussiness, neatly executed in itself, that looks very odd in a Peter Hall Mozart production. There is a fair amount of direct audience address, and an unreasonable amount of falling to the floor at improbable moments; the tuned stillness of the 1970s has been lost, and nothing coherent or newly striking has yet been offered in its place.

On its own terms the performance is by no means inefficient, or devoid of interest – the treatment of the Count as swaggering, loud-mouthed bully with psychopathic tendencies is certainly distinctive, and in William Shimell's vigorous (if vocally heavyweight and monochrome) account of it there is no shilly-shallying. Other distinctive and pleasingly sung characterizations, from Felicity Palmer (Marcellina), Alison Hagley (Barbarina), Donald Adams (Antonio), and especially the admirable Mario Bolognesi (a deceptively mild, gratifyingly Italian Basilio), cast their passing beams of illumination.

But I badly miss the dominant sense of a living, breathing community, and the passions and tragedies transmuted into comedy that should emerge therefrom. Miss Lindblom, a young Swedish soprano making her British debut, is promising, and, in "Dove sono," moving, but her Countess is not yet found anywhere near the heart of the evening; neither is Marianne Rorholm's handsome but vocally colourless Cherubino, and thus far Dale Duesing does little more than go through the title-character motions. All the Act 4 arias are in place – but this was not one of those occasions when the uncut text was made to seem the inevitable, let alone the desirable, one.

Max Loppert

Swan Lake

DOMINION THEATRE

Natalia Makarova's production of *Swan Lake* for English National Ballet, new last year, makes several blunders and is in no way as serious as the *Bayadere* she has staged for American Ballet Theatre and, recently, the Royal Ballet. But I'm not as irritated by this as I have been by those numerous Swan Lakes that impose extraneous concepts onto a ballet that is already complex.

Makarova scores a big plus by setting the ballet clearly in the Western European Middle Ages of high romance – thus giving it the right mythic resonance. And the choreography she uses – a mixture of Petipa and Ivanov (by way of the Kirov) and Ashton – is almost all top-quality. If only the dancers were not so badly cramped by the decor, this would be a very tolerable *Swan Lake*.

Valentina Kozlova and Maximiliano Guerra led the first of two casts I caught last week. Kozlova, a former Bolshoi soloist who has been a principal of New York City Ballet since 1983, has a beautiful body and face, and Guerra matches her well in height and length of limb, but this was an unspontaneous performance, reeking of insincerity.

Kozlova reverted to the turned-in Bolshoi way with the Swan choreography, without the heroic strain that can make that compelling. She was merely brittle. Guerra seems virtually immobile from nose to diaphragm. Like Kozlova, he has the strength for the steps, but too little else.

Christine Camillo and Patrick Armand, replacing on Saturday the more prestigious Susan Hogard and Andris Liepa, were less likely candidates for this grand ballet, but theirs was the more satisfying performance.

Camillo has neither the length of leg or neck nor the elegance of face or foot ideally needed for Odette-Odile. But she has ease and an ear. So that she shapes the choreography in terms of phrases and musical cues. Not inspired, but a very professional account.

Armand's ear tends only to be approximate, his dancing strong rather than subtle. But he's like the provincial Italian tenor whose beefy commitment becomes strangely touching. There's manly chivalry in all his stage behaviour, exciting ardour in the big dance climaxes, and he makes something stirring from the hero's variations between temperamental lows and highs.

To touch the heights, *Swan Lake* needs refinement, and that has never been in long supply at English National, formally London Festival Ballet, for which the best adjective has always been "motley." But I see little of the meanness or pettiness of spirit that used to depress me a few years ago. The men tend to pursue effort rather than finesse, but their style is clean and virile enough to bring Ashton's glorious Act 1 waltz to life.

The women, more anonymous and immature, make a coarse corps of Swan-maidens. But they seem to relish the rich *epaulement* in the dances and they show as much heart as their training will permit. The company's most interesting regular dancer is Trinidad Sevillano, enchanting in the Ashton *pas de quatre* in Act 1. She has youthfulness, power, variety and feeling. If English National Ballet capitalises on these assets, who knows? It could surprise us all and yet become a company to take seriously in classical choreography.

Alastair Macaulay

Osud

HIPPODROME, BIRMINGHAM

In the midst of its latest British tour, Welsh National Opera has added an unusual item to its repertory – a concert of Janacek's *Osud*. This was given in Birmingham last Friday, and will be repeated in Bristol next week; shortly afterwards, the ensemble goes into the EMI studios, for a recording sponsored by the Peter Moores Foundation.

Excellent news! *Osud*, which follows *Jenufa* in the line of Janacek operas, was until the 1980s the stepchild of his works – a work of undeniably beautiful music whose libretto was considered unstageable.

The 1982 South Bank concert performance by Simon Rattle revealed the richness of the score; then, and perhaps crucially, the 1984 English National Opera production by David Pountney put the whole notion of unstageability to flight. In equal measure this was because of the profound imaginative vision of the staging and because of the new English translation by Rodney Blumer, a brilliantly singable, inventive piece of work which found a consistent tone for the mixture of highflown symbolism and overripe imagery in which Janacek's inexperienced librettist couched the original.

One of the benefits of concert performance is the chance to examine music and words as it were in close-up; and in Friday's performance, both Janacek's wonderfully copious lyrical inspiration and Blumer's words were heard to advantage. With each new encounter, indeed, the extraordinary poetry of this work becomes clearer. It is an example of opera at its most "operatic": that is, in which the power of music to clarify a libretto somewhat discontinuous and elliptical on its own terms is thrillingly direct.

With respect to the admirable previous British conductors of *Osud* – Rattle and the ENO's Mark Elder – Friday's performance added a new dimension to one's appreciation of the opera; for Charles Mackerras seemed to find in it a rhythmic vitality and an urgency unmatched by others.

From the great sunlit opening, a Janacek hymn to natural beauty, to the jagged finale, in which flashes of lightning add the proper punctuation to the dramatic unfolding, Mackerras's control of the opera's sound-world was absolute. Ideally, the acoustics needed to be fuller; the WNO orchestra was placed in the pit, the singers and chorus (in superb form) on stage, and the combination, though clear, failed to suffuse the theatre with radiance. Rarely, though, have concert performances proved so continuously gripping.

The cast was led by Philip Langridge, hero of all British *Osud* revivals, so complete in his command of word, style, and sense that it has become impossible to imagine any other tenor in his place; Mr Langridge was in proud, tireless voice, and threw the long monologues out with heady abandon. Helen Field, new to the heroine Mila, was delicate, appealing, already deep inside the character; Kathryn Harries gave a subtle and striking account of her disturbed mother, the opera's nemesis figure (and sister of the Kabanicha), though her top notes flapped under pressure.

There were fine, well-sung cameo contributions from Barry Mora, Stuart Kale, and Peter Bronder. Altogether, this was a performance of total commitment; the records are impatiently awaited.

Max Loppert

ARTS GUIDE

June 30-July 6

OPERA AND BALLET

London

Royal Opera, Covent Garden. *Cavalleria rusticana* and *I Pagliacci*, two of the most elderly productions in the Royal Opera repertory, return with Robin Stapleton as conductor and casts including Ghena Dimitrova, Diana Soviero, Vladimir Atlantov and Piero Cappuccilli. Further performances of *Le nozze di Figaro*, in Johannes Schaaf's very successful 1987 production, with substantially the original cast – Thomas Allen, Claudio Desderi, and the original conductor, Bernard Haitink.

Paris

Grand Palais des Champs Elysées. Paris Opéra Ballet dances *Swan Lake* in Rudolf Nureyev's choreography inspired by Marius Petipa and Lev Ivanov and is followed by performances by the Paris Opéra Ballet School and Leningrad's Vaganova School (48787500).

Brussels

Théâtre Royal de la Monnaie. Mozart's *La Finta Giardiniera* produced by Karl-Ernst and Ursel Herrmann with Ugo Benelli, Joanna Kozlowska and Marek Torzewski. Sylvain Cambreling conducts the Monnaie opera orchestra (Tues).

Milan

Teatro Alla Scala. Luca Ronconi's production of Rimsky-Korsakov's *La Fiaba dello Zar Saltan*, conducted by Gennady Rozhdestvensky, and designed by the architect Gae Aulenti. The cast includes Gloria Banditelli, Josella Ligi, Babara Madra, Stefka Mineva and Carlo Gaifa. Also Gluck's *Orfeo ed Euridice* in Roberto de Simone's production conducted by Riccardo Muti, with Lucia Mazzaria, Valeria Esposito and Elzbieta Ardam (80.91.26).

Rome

Terme di Caracalla. The Rome opera's open-air season opens with Prokofiev's *Romeo e Giulietta*, danced by the excellent Elisabetta Terabust with Raffaela Paganini, conducted by Mario Pistoni. The choreography has been redone by the ballet company's director Mario Pistoni (46.17.55).

Amsterdam

Muziektheater. Double bill with the Vaganova Academy of Leningrad's Kirov Ballet in *Chopiniana* (Fokine/Vaganova/Sergelev) and the Grand Pas from Petipa's *Paquita*, followed by the School of American Ballet with Balanchine's *Waltz Fantasy* and *Symphony in C* (Fri). The Dutch National Ballet's annual festival: *The Sleeping Beauty* by Peter Wright after Marius Petipa (Until Wed).

Munich

Opera. This year's Munich Opera Festival opens with the new production of *Mathis der Mahler*, by Kurt Horres. The cast includes Sabine Hass, Doris Soffel, Angela Maria Blasi, Alan Titus, Claes H. Ahnsjoe, Jan Hendrik Rootering, Robert Schunk and will be conducted by Wolfgang Sawallisch.

Stuttgart

Opera. Kathleen Kuhlmann repeats her much praised performance in the title role in *La Cenerentola*. *Der fliegendeHolländer* has fine interpretations by Wolfgang Probst, Nancy Johnson and Mathias Hoelle. *Madame Butterfly* features Awilda Verdejo, Carmen Mammoser, Fabio Armiliato and Tero Hannula. *Tosca* with Vasile Moldoveanu, Galina Kalinina and Helmut Berger-Tuna rounds off the week.

New York

New York City Opera. Harold Prince's new production of *Don Giovanni* opens the season Thursday with John Cheek in the title role and Elizabeth Hollеque as Donna Anna, Frances Ginsberg as Donna Elvira and Dean Peterson as Masetto. The season includes three other new productions (*Moses und Aron*, *L'Heure Espagnole* and *L'Enfant et Les Sortilèges*) and six major revivals among the 135 performances of 20 operas in 20 weeks. Lincoln Center New York State Theatre (877 4700).

New York Grand Opera. The free fully staged operas in Central Park conducted by Vincent La Selva continue with *Madama Butterfly*, featuring Ingrid Zeldin as Cio-Cio-San and Paul Lyon as Pinkerton. Central Park Bandshell at 72nd St (Thur).

Tokyo

London City Ballet. *Swan Lake* (Mon), Mixed bill (Tues). Showa Women's University Hitomi Memorial Hall, near Sangenjaya (475 9999).

SALEROOM

Clifford sells collection

Yesterday was a big day for Mr Timothy Clifford, the extrovert Director of the National Gallery of Scotland. While he was showing the Queen around his recently restored Gallery in Edinburgh, Sotheby's in London was selling his collection of Old Master drawings for a healthy £561,220.

Clifford acquired his first drawing for 7s 6d in 1961 as a 15-year-old schoolboy and effectively stopped buying in 1975. His purchases were made on a shoe-string and concentrated on the then unfashionable area of Mannerist art, mainly from 16th century Florence and Rome. In many cases he was able to give attributions to anonymous works. He has sold the 57 drawings to raise the money to buy a house in Scotland. He will able to afford a castle and half a county.

Top price was the £52,800 paid for a design for one of the ceilings in the Villa Farnese by Giovanni Antinor. A head by Bronzino made £46,200, and a drawing of Bacchus, in a niche, by Primaticcio, £38,500. Timothy Clifford gave one of the drawings in the catalogue, "The calling of Matthew" by Il Bergamasco (estimate around £500) to the British Museum, a cultural institution he has yet to run.

The general sale that followed totalled £1,242,615 with only 4 per cent unsold. Another, finer, Bronzino head, which was thought to be by Holman Hunt until Sotheby's gotto work on it, doubled its estimate at £121,000, to the dealer Paul Weis. A chalk drawing of a fallen warrior attributed to Bordone far exceeded its £35,000 top estimate and made £148,500 to the Swiss dealer, Compagnie des Beaux Arts, while two figure studies by Watteau sold for £104,500.

Sotheby's had one of its best sales of tribal art for many years, bringing in £2,264,394, with just over 8 per cent unsold. Twenty-five of the lots on offer had been bought by the British Rail Pension Fund in the 1970s and the stickiness of the tribal art market in the intervening years is illustrated by the price of £165,000 paid yesterday for a Lower Niger bronze female figure kneeling and holding a bowl, which is regarded as one of the masterpieces of African art. The Fund paid £145,200 for it in 1978, and shows a derisory return. A late 16th century Udo (Nigeria) bronze royal memorial head did better: it cost the Fund £22,990 in 1976 and made £99,000 yesterday. The top price was £209,009 (estimate £80,000) for an unknown Luba-Shankadi wood neck rest of the early 19th century.

Antony Thorncroft

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Solidarity's main chance

THE announcement of Andrei Gromyko's *death will prompt* renewed reflection on a thirty year period in Soviet foreign policy, until the mid 1980s, which he dominated. Too much reverence towards that reign, however much stamina it showed, is unnecessary. For while Gromyko achieved a certain "stability" in superpower relationships, he did so at many costs. Among the heaviest was the continuing subjection of Eastern Europe to the Brezhnev doctrine, whose unwritten rules laid down that *the Soviet version of state* socialism, which they had all perforce adopted, was unchallengeable.

That doctrine, the present Soviet leadership now asserts, shrivelled soon after Mr Gromyko left office. President Gorbachev continues to repeat that the satellites can go their own way. Only yesterday, Mr Vadim Zagladin, a central committee member and foreign affairs expert, said in Paris that a Solidarity government was the Poles' business, and that a President Lech Walesa would be quite welcome in Moscow.

That is good for Poland, but only the beginning of a new chapter. There is now no effective centre of power in Warsaw. The Polish United Workers Party cannot agree on a *Presidential candidate*. The Government, not a year old and with its reforms hardly *taking effect*, is led by a cabinet full of men who were badly beaten at the polls. The Party's two long serving coalition allies, the Peasants' and the Democratic Parties, are peeling away as they realise real power lies elsewhere.

Awful responsibility

As for Solidarity, it is gradually realising what awful responsibilities are attendant on winning so completely. Mr Walesa and Professor Bronislaw Geremek, the leader of the Solidarity deputies and a fellow moderate, agreed that the union should support a reforming government but take no part in it. They now find to their horror that they have no government to support. As recently as April, Solidarity leaders talked as though legalisation of the movement was the limit of their aims. Three *months later, they see that at* least partial power may be within their grasp.

It will be risky, but they should grasp it. They will inherit a crisis which was none of their making, the handling of which would tarnish the reputation of saints. Living standards are likely to get worse before they get better, unemployment to become real rather than hidden, work to get harder, and pay differentials to widen. In this way will the market come to Poland – it *has no alternative*.

They will also inherit a bureaucracy and a management class which is a *nomenklatura*, put there by the Party for loyalty rather than efficiency. This creaky machine may not work for Solidarity ministers; even more to the point, the army and the police, who rounded up and imprisoned Solidarity members, may not take orders from them.

Soviet test

Further, there must *still* be doubt that the Soviet Union will really let it all happen. It will not be easy to let people whose sympathies lie more with the West than the East, who are fêted in Western capitals as anti-communists, take control of a member of the *Warsaw Pact. It would be by* far the biggest test a perestroika'd foreign policy had yet *had to face*.

But perhaps these risks are more apparent than real. A Solidarity prime minister would inspire greater generosity in the West and more confidence from business than a Communist one, be he never so reformist, ever could. Many bureaucrats, in the stillness of the voting booths last month, voted for Solidarity; so did many of the conscript soldiers and maybe even a few of the police. And if a Communist President were found – Mr Walesa favours General Kiszczak – then Soviet fears would be allayed.

The movement Mr Walesa leads, has done Poland immense service in the past decade. It has more difficult service still to do. It no longer represents freedom in revolt: it must attempt to be freedom in Government.

Hold firm on law reform

WHEN THE Government published its proposals for reform of the legal profession *in January, it was applauded* for its determination to sweep away outmoded restrictive practices and introduce greater competition into the provision of legal services. Those who had said it would not have the courage to carry its enthusiasm for reforming the trade unions into areas dominated by its natural constituents fell momentarily silent. In the face of noisy and often bitter protest from the Bar and the judiciary, Lord Mackay remained firm. The more the judges warned of the constitutional dangers inherent in the Government's plans, the more his determination to press ahead appeared to grow.

At the last hurdle, as the *cabinet committee responsible* for competition policy comes to consider the final proposals, the *Lord Chancellor is now* said to be having second thoughts about ending the barristers' monopoly to appear as advocates in the higher courts – the central plank of the reforms. This would be a mistake.

Unclear climbdown

Quite why the Government should uncharacteristically be considering such *a climbdown* in not clear. Is it possible, for example, that in the light of the *Conservatives' poor* showing in the recent European elections, the voices inside the party that have been warning that the Government is flirting with political suicide by taking on both the doctors and the lawyers at the same time are finally being listened to? If that is the case then the Government has underestimated the strength of support for its reforms around the country.

The public may not like the idea of free market forces in *the provision* of health care, but they have long been able to see that the requirement to *employ* the services of two lawyers to take their case into court benefits no one other than the lawyers themselves.

To be fair to the *Lord* Chancellor, he has never ruled out the possibility of changing the proposals. Despite the criticism levelled at him for producing the papers without consultation with the profession or the judiciary, *he has always* emphasised that they were consultation documents and *that he would not hesitate to* modify them if persuaded by rational argument. The opposition from the judges, the Bar and the Law Society to the proposed Advisory Committee on the education, training and conduct of lawyers led him at a fairly early stage to indicate that there was room for manoeuvre over the committee's structure and role.

Status quo guarantee

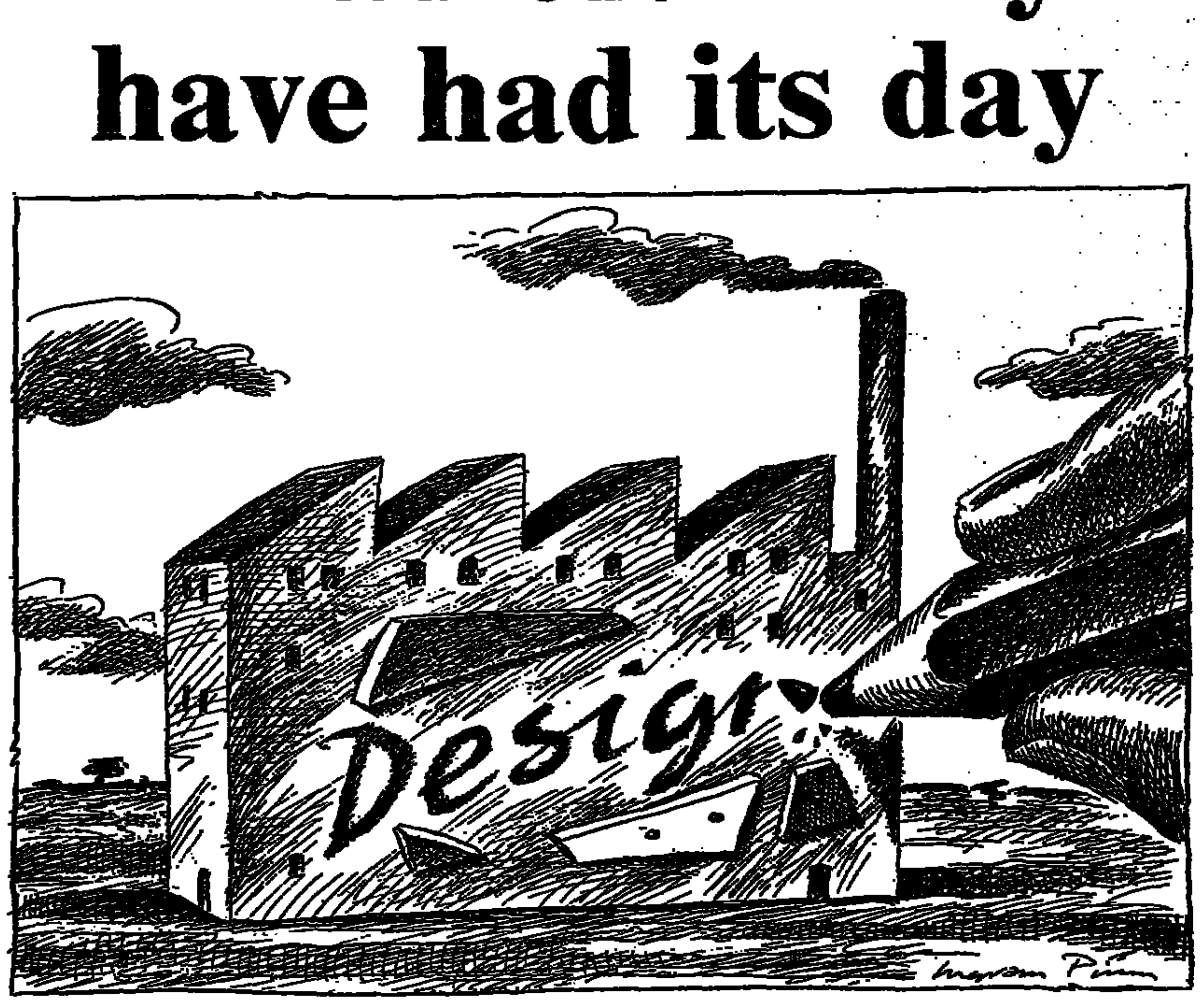
The suggestion that to placate the judiciary he is considering giving them a right of veto over who should have rights of audience in the higher courts makes little sense, however. Solicitors *know that this would effectively* guarantee maintenance of the status quo. The strength *of their opposition to the Gov*ernment proposals shows only too well that the senior judges, all of whom were drawn from the ranks of the Bar, cannot be trusted to exercise such a veto impartially, they say.

If the Lord Chancellor is convinced of the need to give ground to the judges on this *issue, he should consider the* suggestion favoured by the consumer organisations of *setting the principles governing* wider rights of audience and the professional codes of conduct in primary legislation, and giving the judiciary a supervisory role over the regulations governing their implementation. This would meet all the constitutional concerns that have been expressed over Parliamentary sovereignty, the independence of the profession and judicial supervision.

The proposed reforms of the legal profession are just one part of the Government's wider plans for improvements in access to justice and the provision of legal services. They are linked to the five-year plan to introduce reforms in civil procedure, changes in the administration of the legal aid system and the gradual unification of procedures for dealing with children and family law matters. If the Government drops the central plank of its proposed reform of the profession, there is a danger that its whole law reform strategy will fall apart.

As the world's first museum devoted to industrial design opens in London, Alice Rawsthorn reports on the discipline's role in British industry

A fad that may have had its day



On Thursday the dust and debris of the construction workers will be cleared away as London's Design Museum, at Butler's Wharf on the banks of the River Thames, opens its doors to the public.

The Design Museum will be the first museum anywhere in the world devoted entirely to industrial design. Its opening is timely. The past decade has been one in which the design industry *has boomed; when Britain's* shops have been painted in post-modernist pastels; and politicians have *propounded the power of design from* public platforms.

But there are serious doubts *whether, for all the fuss and furore*, British industry is any more adept at using design than before. Even so design conscious a sector as retailing still uses design as a cosmetic tool rather than an integral part of the management process. Many areas of manufacturing appear as antipathetic to design as ever.

There is also a real risk that once the current enthusiasm *fades*, design will be dismissed as yet another management fad that was once fashionable *and has since fizzled out*. Stephen Bayley, director of the Design Museum, already dreads the day when industrialists describe design as: "Something we tried out in the 1980s. It did not work then. So we will not try it again."

Perhaps the discipline's most prominent legacy of the 1980s is the design industry. It began the decade as a cottage industry of tiny firms with fragile finances. Today there are thousands of design companies. Some have gone *public; others* have expanded overseas. Fitch, which entered the 1980s as a retail design specialist, has since gone *public* and *staged a series* of acquisitions. It now employs 500 people in the UK and the US.

Moreover the character of the design industry has changed. The word "designer" once conjured *images of the work of William Morris* and his school of aesthetic artisans. The designers of the 1980s tend to talk *in terms of market research, brand* identity and corporate strategy. The larger corporate identity consultan*cies, like Wolff Olins, employ almost* as many MBA graduates as designers. The international advertising agen*cies, Saatchi & Saatchi* and WPP, have diversified into design.

Beneath the business school banter and *stock* market flotations, the industry is still highly fragmented and its finances are as fragile as ever. A recent survey by James Capel, the stockbrokers, estimated that only 30 consultancies employ more than 100 people. Even the biggest companies are prone to erratic profits growth, as the recent problems of the Michael Peters Group, which is suffering from a slump in its US business, illustrate.

But design is *seen* as a successful *sector*. And the design consultancies have succeeded in redefining design, alongside advertising, as a marketing discipline. The world of William Morris is far, far away.

The dynamism of the design sector is often bandied about as evidence that design is being taken more seriously in the wider sphere of industry. This is not necessarily the case. Even the most enthusiastic advocate of design would admit that its influence on British industry in the 1980s has been, at best, erratic.

Mr Wally Olins, chairman of Wolff Olins, believes that attitudes towards design in industry have changed "dramatically" in some sectors, such as retailing, but "barely at all" in the more traditional areas of manufacturing.

The impact of design on the retail sector is apparent to anyone who glances along the high street. The catalyst for the transformation of many previously dowdy shops was the wave of corporate activity which reshaped the retail sector in the early 1980s. This activity created a new cadre of design conscious retailers – like Next, Burton and Storehouse – which were prepared to lavish millions of pounds on the look of their shops.

Next spent £120m on capital expenditure – a large tranche of it on fitting out its shops – in the last financial year alone. Storehouse has devised a method of design management to encompass every aspect of its operation. The design process for Richards, its women's wear chain, starts when the design studio meets to map out the key themes for the coming season. It ends a year later when instructions are sent to each store manager explaining exactly how the clothes should be displayed in the shops.

Yet many retailers still see design in terms of the look and lay-out of their shops, rather than as an integral part of management and merchandising systems. Even the Burton Group tends to make a distinction between store design, which is delegated to external consultancies, and merchandising, which is handled internally.

This tendency to regard design as a superficial discipline, not as an integral part of the organisation, is even more marked in manufacturing.

The level of awareness of design in manufacturing has certainly increased in the *1980s. Mrs Margaret* Thatcher, the Prime Minister, took the initiative by including the importance *of design as* a regular ingredient of her speeches to industry. She also encouraged the Department of Trade and Industry to introduce grants for small business using design consultancies.

It is now *de rigueur* for company chairmen to cite design as a critical component in competitiveness. The latest annual report from Coloroll, the aggressive home products group and one of the new generation of manufacturers, opens with a list of its corporate objectives including "creativity in design." A new breed of executive, the design manager, has appeared in the boardrooms of businesses like British Rail and British Telecom.

There is a real risk that once the enthusiasm fades, design will be dismissed as yet another failed fad

Sir Terence Conran, the founder of the Design Museum, has noticed "a great improvement" in the level of awareness of design among the manufacturers he deals with as chairman of the Storehouse retailing group.

Yet there is little evidence that British manufacturers, having acknowledged the importance of design, really understand it. Mr Peter Gorb, senior fellow in *design management at the* London Business School, says there are still "far too many managers who see design only in terms of style and aesthetics."

In Japanese industry, design is seen as an integral part of the company's activities. Designers are involved in every stage of product development from raw material sourcing to production planning. A corporation like Yamaha, with annual sales of over £2bn, employs a team of 22 designers, all with degrees in product design. They are responsible for every aspect of design from liaising with Yamaha's engineers over product development to devising logos for letterheads.

Such a system is typical of many Japanese companies. It is difficult to find a similar arrangement in Britain. Similarly there is no designer in British manufacturing who is accorded the same stature as Dieter Rams, the head of product design at Braun, the West German consumer electronics group.

In British industry, product design tends to be meted out to external consultancies, which tend not to be involved in internal processes like production planning. Alternatively it is left to engineers, who are not necessarily proficient in design.

One of the ironies of the past decade is that, although British companies have become much more aware of design, they have made little progress in using it.

One explanation lies in the shortcomings of the education system. Design plays a relatively insignificant role in specialist courses such as engineering. A London Business School study estimates that only 7 per cent of a British engineering degree *syllabus* is concerned with design, compared with 25 per cent for a comparable course in West Germany.

Design is also missing from general syllabuses. The design and technology course for primary school children due to be introduced in 1990 as part of the national curriculum may lessen the problem. But teachers are concerned that the course will not be properly resourced.

Another explanation is that the British have never really felt comfortable with the concept of design. In Japan, design is seen as the province of industry. In Italy, it is regarded as part of the arts. In Britain, however, it is seen as a discipline straddling both sectors.

The arts establishment tends to dismiss design as indelibly tainted by its association with trade. Sir Terence Conran *recalls* meetings at the Victoria and Albert Museum where he would be ticked off for calling things "products" rather than "artefacts."

Conversely the industrial community looks askance at design as an aesthetic indulgence. The recent rumpus over BP's new corporate identity was provoked partly by the cost of the programme and partly by concern that an important company should have invested so much effort and energy in something so apparently slight as design.

The success of the design industry in redefining design as a marketing *discipline* has helped to overcome this problem. But it has also reinforced the stereotype of design as something which is "*bought in*" from *outside*.

This tendency to "buy-in" design could, in turn, accentuate the risk that design is seen as a management fad. Peter York, the style writer, suspects that the managers of the 1980s have *seized on design as* "an instant fix-it" in the same way as they did with advertising in the 1960s. This increases the risk of them becoming disillusioned with design, he says, without "ever having really understood it in the first place."

There are already indications of disillusion with design in the retail sector. In the mid-1980s, when consumer spending was soaring, design conscious companies like Next were the stars of the retail sector. At the time a commitment to design – and an aptitude for spending substantial sums of money on it – was perceived as a prerequisite for successful retailing.

The climate in the retail sector is now more competitive. The slowdown in consumer spending, combined with rising costs, has imposed intense pressure on profits in an over-shopped high street.

At the same time the design conscious retailers, including Next, have been struggling. One of the chief criticisms levelled at George Davies, when he was ousted as chairman of Next last December, was that he had spent too much money on store design.

Design is no longer the fashionable phenomenon in retailing. Since the start of the year expenditure on retail design has fallen sharply. Next, and its competitors, have pruned budgets and postponed projects. It is too soon to say if this is a short term response to the austere climate in retailing, or indicates a longer term disillusion with design as a discipline.

Even the Government seems to have lost interest, although Mrs Thatcher is still fond of sprinkling references to design in *her* speeches. Design grants for small businesses have been cut. The Design Council has gone from crisis to crisis.

Back at Butlers Wharf, as the construction workers clear their tools away, *Stephen Bayley* winces at the inevitable wisecracks about a design museum that is opening at the very end of *Britain's design decade*.

OBSERVER

Not a brick to drop

■ The Oval – home of the Surrey *County Cricket Club* and one of the cricket shrines of the world – has very nearly *been saved. Over £5m have* been raised from commercial and individual sources in the last few years. Such are the ravages of inflation, however, that the original target was about £¼m too low. There will thus be a new, rather select appeal to the City in the next few days.

It works like this. The Oval has commissioned a sculpture of Sir Leonard Hutton who scored a record 364 in the Test against Australia at the Oval in 1938. The sculpture, by Walter *Ritchie*, will be of Hutton in full flow and will be placed outside the main Hobbs Gates.

Since it will be surrounded by 364 bricks, you can probably guess the rest. Individuals and *companies will* be invited to have their name associated with a brick at £1,000 apiece.

Letters to 250 carefully chosen potential supporters will go out in the next few days. Chris Field, the co-ordinator of the appeal, says that the names have been picked largely by intuition: a mixture of interest in cricket and likelihood of subscribing. The chairman of the appeal is Sir Michael Sandberg, best known for his days at the Hongkong and Shanghai Bank and now a frequent attender at the Oval, as indeed is Len Hutton.

Most of the rest of the bricks have already been sold by word of mouth. They have gone to a diverse mix of Friends of the Oval including Alan Bond, John Paul Getty II, Sir Y K Pao and Mick Jagger.

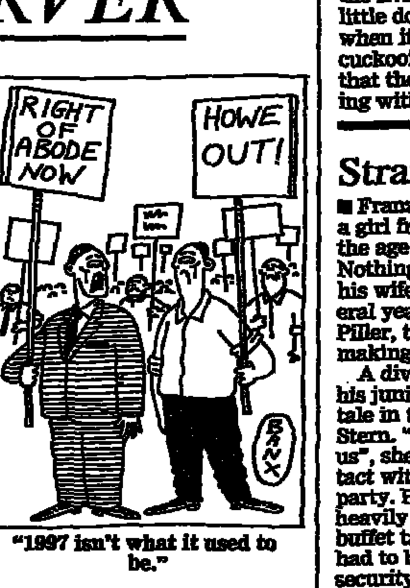
There is a ration of one each, and clearly the intention is that the offer of a brick is not one that should be lightly turned down. Wait for the Sandberg letter: it also includes the offer of a limited edition tie of the sculpture and an invitation to the Sir Leonard Hutton Reception on the last day of this year's Oval Test.

Prize for BZW

■ Has Barclays de Zoete Wedd finally made it all the way to a seat on the Tokyo Stock Exchange? Not quite yet, but *there is what looks like* a pretty strong straw in the wind. Michael Connors, the *general manager of BZW's* Tokyo office, has just been elected a member-director of the *Japan Securities* Dealers' Association and is the first gaijin (non-Japanese) to make it. There are only 44 member-directors altogether.

Speaking Japanese obviously helps. The 40-year-old Connors took his PhD in Japanese studies at Sheffield, then worked on Japanese industrial relations at the University of Tokyo, which awarded him a post-doctorate research fel*lowship. He had seven years* as an analyst with the Tokyo office of Jardine Fleming before opening the BZW office in 1986. One of his specialities has been recruiting graduates from Japanese universities: 110 of BZW's 146 Tokyo staff are Japanese nationals.

A seat on the Stock Exchange has never been formally promised, though there have been hints. The hope is that it will come next summer, possibly at the same time as one for James Capel.



"1997 isn't what it used to be."

Cuckoo lore

■ The rainy climax to June put an end to Bill Foggitt's personal drought at the Three Tuns in Thirsk where he has recovered his reputation as the farmers' friend.

His supply of free drinks from the farmers had all but dried up due to their general gloom over the long sunny spell. But two good nights of rain has put them in better spirits. It rained so hard in the last two days of the month that *Foggitt's* records showed that Thirsk had nearly one inch over its June average, in spite of no rain on 25 days.

The pine cone and the barometer are set fair again after unusually cold nights at the beginning of July. He said: "I knew it was cold because the pipistrel bats were not flying about. There was nearly a ground frost one night."

The tadpoles in his neighbour Betty Cook's pond have almost turned into frogs and most of the wildlife is settling to its summer patterns – except the cuckoo which has not changed its tune as folklore demands.

Cuckoo lore says: "In April come he will, in May he calls all day, in June he changes his tune, in July he makes ready to fly." Foggitt said: "*The cuckoo nearly frightened* the living daylights out of my little dog, Polly, the other day when it should have stopped cuckooing. I think it is a sign that the good weather is staying with us."

Strauss saved

■ Franz Josef Strauss acquired a girl friend before he died at the age of 73 last October. Nothing untoward about that: his wife, Marianne, died several years before. *But Renate* Piller, the girl in question, is making the most of it.

A divorcee, who was 29 years his junior, Piller has told her tale in the illustrated weekly, Stern. "A flame shot between us", she writes of her first contact with Strauss at a cocktail party. He was leaning too heavily against a wobbling buffet table, she recounts, and had to be eased out by his security men. *Their first date* went more elegantly: he took her out for dinner a few days *later in his un-bodyguarded* BMW and showed his machismo by revealing that he always carried a pistol in a leather bag in case of trouble.

Strauss's two sons are not amused. They have accused her of trying to secure his hand in marriage and his old housekeeper is quoted as thanking God that the Prime Minister of Bavaria was carried off to heaven in time to keep him from *Renate's* clutches.

Still, Stern knows that it has acquired only the second-best story. *Publication* rights to Strauss's own memoirs have been purchased (for more than DM1.6m) by the magazine's arch-rival, Der Spiegel and will appear in the autumn.

Hanging matter

■ Card in a Fulham shop window: "For sale, walnut wardrobe with two drawers, three shelves, and ample hanging space for man."

صورة من الاصل

هكذا من الاصل

LETTERS

'Only one spark of hope for broadcasting'

From the Chairman of Granada Television.

Sir, There is one spark of hope – but only one – for the future of broadcasting in Mr Tim Renton's letter (June 29).

He does not hammer home as remorselessly as did the Home Secretary in his most recent statement, that only in exceptional circumstances would any bid other than the highest be acceptable to the Independent Television Commission in awarding franchises to companies which have passed the so-called "quality threshold."

He says, instead, that "all we are requiring the ITC to do is to make public its reasons if it considers that any bid does not meet these criteria."

If that can be interpreted without excessive optimism as a change of tone, it is to be welcomed. Any move which *holds* the promise of strengthening the discretionary powers of the ITC, and reducing the scope for financial opportunism at the expense of programme standards, is worth encouraging.

Taken as a whole, however, Mr Renton's arguments are disappointingly familiar.

Now that the Home Office has received upwards of 3,000 *responses to the white paper* (many of which, we are led to believe, express hostility to the principle of auctioning franchises) it is not good enough for the Minister merely to *repeat the original* Government proposals as though they were based on some eternal, unchallengeable truths.

If the Government is not going to take into account public views *on television* – *let* alone those of people working in the industry and bodies representing consumer interest – why invite comments in the first place? Flawed policies are not made any sounder by *constant repetition.*

Tim Renton accepts that there is a real problem in defining the "quality" of television programming satisfactorily, but none the less goes on to *rest much of his case on the* reliability of the screening process represented by the preliminary assessment stage. Crossing the "quality" threshold will be "no mean task" he says.

But why? Any experienced television practitioner could put together a portfolio of programme ideas to meet whatever criteria are considered appropriate by the ITC – ranging from a comprehensive regional service to lustrous drama, from religious broadcasts to the coverage of white-knuckle sporting events.

If no specific programme requirements are laid down, imaginations will be given free rein – but any pretence of a meaningful quality assessment will disappear. All the ITC can do in the first round is check for evidence of sound finance, relevant management experience, access to creative skills of appropriate calibre and the moral probity of the applicants themselves.

Most of those who take the *trouble to* prepare *a decent* prospectus will get past this hurdle, because there will be no specific grounds for blocking them.

How can you say, with total *confidence in advance, that a* particular individual is or is not going to live up to his promises?

The handing-in of tenders will thus become not the final *step in a narrowing down* process, as the Government likes to paint it, but the prime determinant of the outcome. The starting gate for the horses will merely have been moved a little further up the field.

Mr Renton says that there is nothing new in this situation. But there is.

In the past, the Independent Broadcasting Authority has pursued its questioning of franchises *applicants, and its* detailed examination of proposals, in successive stages and with exhaustive thoroughness. It has also given due weight to the track record of programme *companies seeking renewal of* their franchise. The weighing up of rival merits has continued until (as with the election of a pope) one candidate has emerged as being more generally acceptable than the others.

That is the proper exercise of discretionary powers; a difficult task, but no more so than the selection of candidates for many other types of post involving the public interest. The IBA's selection process has its faults, but the overall success of its efforts can be gauged by the standard of the programme service which ITV provides – not perfect, but on the whole well-regarded at home and overseas.

Under the Government's new proposal, this system will give way to one in which the final decision will rest not on *ITC's judgment*, but on *the* contents of the small brown envelopes – the tenders.

The temptation to overbid at this stage will be irresistible; the "let tomorrow take care of *itself" philosophy will prevail.* The prime attention of the winning applicant will thus be focused, from the start, not on enriching the television service, but on recouping the *money that* has been *staked in* the initial roulette game of franchise acquisition.

Mr Renton points to the sanctions which the Government will make available to the ITC to counter this danger; *a deposited performance bond* and the ultimate threat of franchise withdrawal.

Such measures represent only buttresses to shore up the weaknesses which have *already become apparent in* the proposed structure. People cannot be scared into good programme-making. What they are able to offer depends on their calibre as producers and *their commitment* to broadcasting for its own sake.

A scared company could not have been harried into making Brideshead Revisited, The Jewel In The Crown or, most recently, After The War. Even less are they likely to be persuaded to tackle World In Action, This Week or other programmes which *sometimes* involve collision with authority.

The most you can do with a company susceptible to browbeating is to reduce the amount of rubbish it deposits on the screen in the hope that something better will be put on offer from elsewhere.

The sort of pleasurable television experience which Mr Renton probably has in mind when he uses the elusive word "quality" comes about by a *curious fusion of idealism*, ambition, aptitude, restiveness, obsession and other intangibles. Money is also needed in large amounts to make programmes, good or bad.

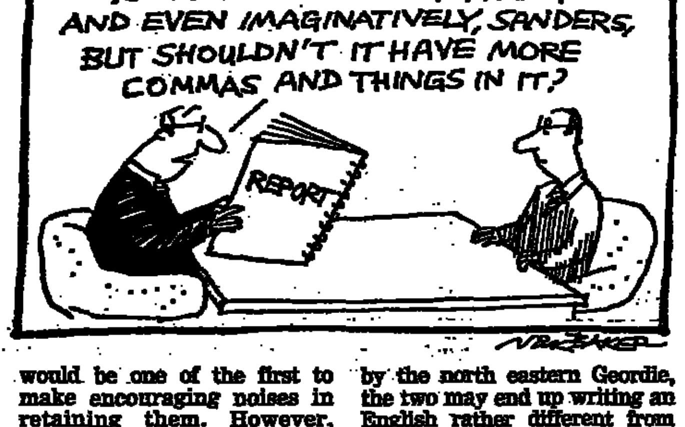
But – as the Government will discover if it pursues its present course – the ability to sign a cheque is the least reliable guide to a company's fitness to provide what the *nation really wants: a television* service worth watching.

David Plowright,
Granada Television,
Manchester

Verbs, nouns, relative pronouns, adverbial clauses and all that

From Mr Nicholas Dale.

Sir, Although I have not read the full report of the English working party, chaired by Professor Brian Cox, which covers the teaching of English in schools, I should nevertheless like to make a few observations. It seems that the report gives little credence to the teaching of grammar, but emphasises free expression – whatever the results of that may be.



I went to a London "grammar" school between 1964 and 1971. It actually taught me about such weird and wonderful things as verbs, nouns, relative pronouns and even adverbial clauses.

All pretty esoteric stuff and, I must agree, "mostly mechanical" and not particularly interesting. Nevertheless I appreciate now (*at the ripe old age of* 36) that it helped me then to write those traditional essays which are now overrated, and helps me now in writing a report which begins at the right place, *has a middle*, and tries not to confuse it with the conclusion.

When it comes to dialects, I would be one of the first to make encouraging noises in retaining them. However, whether you are a London "Cockney," coming from within earshot of Bow Bells, or a "Geordie" from Newcastle, in the north east of England, you need a standard means of communicating in written form.

The standard means of communicating in writing in the British Isles is English. Because the English which is allowed to develop by the London Cockney is likely to be different from that as developed by the north eastern Geordie, the two may end up writing an English rather different from each other's. I am very much in favour of language evolving or growing, but the parameters have to be set.

I have now been living and working in Zurich, the German speaking part of Switzerland, for the past seven years. It is interesting to note that for 60 per cent of Swiss the common written language is high German – but within that 60 per cent there are numerous dialects.

A native of Berne will know exactly when he is speaking to a native of the Wallis, and they may even have some difficulty in understanding each other. However, if one wrote to the other, he would write in high German.

The standards of teaching German throughout German speaking Switzerland are based on those old fashioned "rather uninteresting principles" – which, however, do seem to work.

As most important subjects these days seem to have a "1992" aspect, one could conclude by saying that the ability to understand how a language is put together cannot be under-estimated when learning a foreign (European) language, particularly in the case of the English, who do not have the same natural geographical advantages as Switzerland, which borders on four countries where three European languages are spoken.

Nicholas Dale,
8142 Uitikon,
Allmendstrasse 10B,
Zurich,
Switzerland.

New-for-old UK academics may not be easy to find

From Mr Alan Trench.

Sir, With reference to your current correspondence about the brain drain from British universities, has anybody considered whence the new academics will come to replace those who are now middle-aged and who will retire in five or ten years' time?

The shortage of money to support graduate work in the social sciences led me – like many others – to leave Britain to do this in the US, determined eventually to return home. I now have to decide whether to continue in my American PhD programme, *knowing that my desire to* return home will bring me into a university system with poor salaries, little funding and no tenure or prospect of it for new appointees.

My wish to be in Britain will probably win over my commitment to scholarship, and cause me to leave academia. Those who continue graduate study in the US will be less likely to return to Britain – having settled in another country and *accustomed themselves* to universities which pay good salaries and provide decent working conditions.

Before too long, however, these may well be the main group of "British" academics – British by birth and education to the age of 21, but not by professional training or residence.

Is the UK Government really assuming that the Third World will provide all the teaching staff necessary – and if not, where else does it expect to obtain them?

Alan Trench,
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#28,
Boston,
Massachusetts 02134,
USA

Accounting for goodwill

From Mr David Damant.

Sir, Richard Waters and your Lex columnist (June 23) refer to proposals on accounting for goodwill, under discussion by the Accounting Standards Committee (ASC). *Lex's* comment that the writing-off of goodwill through the profit and loss account could lead to a strong re-rating of companies whose earnings are affected is not in accordance with the evidence.

As the recent London Business School report on a parallel subject, brands, points out, many studies have looked at accounting information and share price reaction. "The relationship between reported accounting numbers and share returns is not a mechanistic one, that is, the market does not take accounting numbers at face value, but uses a broad-based information set in interpreting their information content."

If an accounting change has no cash flow implications (which it will not, in the case of the goodwill changes, unless there is a tax effect), and there is no change in disclosure, then there will be *no effect* on share prices. The London Business School survey of analysts' and bankers' views on brands supported the other evidence.

Nevertheless there will be serious results from these accounting changes in the real economy if company management believes that such changes have an effect on share price valuation. *The fact* that so many company chairmen on both sides of the Atlantic appear to believe that the difference in accounting for goodwill as between the US and *the* UK affects takeover possibilities is a case in point.

You could argue that goodwill does not very easily fit either to the current accounting framework or any framework which could be reasonably devised. Goodwill is not unique in posing conceptual difficulties: accounting for foreign currency translation is another example.

Arguments for writing off goodwill over a period are often disputed, but there is one element in the goodwill which arises on a takeover which it is absolutely necessary to write off through the profit and loss account. Before a takeover, and assuming the shares are efficiently priced, the company taken over may have stood at a price which represents a degree of goodwill over its asset value. The takeover price is normally higher still, and this extra premium represents some or all of the benefits of the merger; the evidence is that a good proportion of the value of these benefits is extracted by the shareholders of the company taken over.

In *other* words, this second element of goodwill (the difference between the original share price and the price at which the company is taken over) is the discounted present *value of the future additional* earnings of the new group. As such it is extremely pure (discounted earnings only) and, as those earnings come through over the subsequent years, it is correct to write off this element of goodwill through the profit and loss account, because the earnings which are flowing have already been paid for.

Comments that the ASC has been forced to rethink its proposals on such things as off balance sheet finance are misplaced; it is simply that due process sometimes takes some time.

David Damant,
Paribas Asset Management,
68 Lombard Street, EC3

From Mr Philip Gibbs.

Sir, *I am alarmed at* the ASC working party proposal that goodwill should be written off against profits over a number of years.

The contention that goodwill *depreciates like any other* assets is very doubtful. In most cases goodwill is only paid in the belief that it can be enhanced, not that it will prove to be a wasting asset.

Choosing the length of time for depreciation is bound to be far more arbitrary than for a tangible asset. An enormous penalty would be imposed on the profits of companies seeking to expand by acquisition rather than organically. The overall result would be a gross distortion of earnings figures.

British and Commonwealth can be taken as an interesting example. Earnings before and after goodwill amortisation are published, but fortunately the investment community has more sense than the ASC working party in disregarding the after-goodwill amortisation figure. Goodwill is purely a balance sheet item and should remain as such – preferably, in most cases, written off directly against reserves.

Philip Gibbs,
CL Alexanders Laing & Cruickshank,
Piercy House,
7 Copthall Avenue, EC2

Takeover at Pillsbury

From Mr Clive Strowger.

Sir, In Roderick Oram's article (July 3) on our takeover of Pillsbury reference is made to the opening provision we *have set up. The article states:* "any unused portion of its recent provision . . .would flow back later into earnings." As we formally advised analysts and the financial press on May 12 1989, and in line with best accounting practice, any surplus provision will be returned to the balance sheet and will *not* flow back into earnings.

Clive Strowger,
Group Finance Director,
Grand Metropolitan,
11-12 Hanover Square, W1

FOREIGN AFFAIRS

From UK subject to European citizen

Edward Mortimer on how the French Revolution intertwines with other political traditions

"WE ARE just beginning to close the socialist parenthesis." My esteemed colleague Samuel Brittan *was offering a glass of* wine to the first person to get that sentence into a newspaper without inverted commas. I forfeit the reward because my conscience will not let me steal it from its true author, the French historian François Furet, who gave the annual Foundation Lecture at Ditchley Park last weekend.

Mr Furet's chosen title was "The French Revolution and the Development of Western Democracy," and his lecture was rich in ideas, as well as in show-stopping phrases. So much so that I cannot forebear to inflict on you what I promise will be positively the last appearance in this column of the Bore of the Year, alias the Bicentenary.

It is perhaps appropriate to do it on July 4, rather than 14, because the essence of Mr Furet's thesis is to reclaim the French Revolution as the sister of the American Revolution rather than the mother of the Russian. For the previous generation of historians, heavily influenced by Marx, 1789 was "the beginning of the emancipation of Man, but only the beginning because it was a failed revolution, a 'bourgeois revolution,' which had to be completed by the emancipation of the proletariat." It was 1917 which provided the real dividing line in modern history. Only now, says Mr Furet, "as Eastern Europe began calling for the Rights of Man, free elections and what the Marxists called 'formal democracy'" have we discovered that in fact the key division was the "democratic revolution" (both American and French) of the late eighteenth century. "The Bolsheviks thought that with 1917 they had buried 1789. Here, at the end of our century, we see that the opposite is happening: it is 1917 that is being buried in the name of 1789."

Mr Furet concluded with the confident assertion that in western Europe the principles of 1789 have now been "mastered at last and embodied in free institutions, and thereby [brought] closer to the Anglo-Saxon tradition." Europe, he believes, "having once invented the nation-state – that remarkable instrument of civilisation which almost proved fatal – is now facing the challenge of inventing a new form of community composed of a collection of peoples who have for so long been in conflict. A shared economy will not be enough, and nor will a 'Europe of nations' or, conversely, a 'Nation of Europe' conceived along the lines of the nations which have populated its history." Europe, "having issued from a victory *of societies over nations,*" would now have to "come up with a different kind of popular will, that will be as strong as the feeling of belonging to a nation – something the European institutions are too young to inspire."

What exactly can inspire it remains unclear. Perhaps that very idea of "victory of societies over nations"; the awareness, as Mr Furet puts it, of having "learned how to handle more prudently the store of emotions that constitute membership in a nation." That could form the basis of a West European identity if, as seems all too likely, the lesson takes longer to learn in other parts of the world. It could distinguish western Europe from regions where the nation-state is of more recent origin, or where nationalism, after a long period of being suppressed by pseudo-international communism, is still seen as the essence of freedom.

Perhaps it could even distinguish it from the United States, where nationalism still seems to be cultivated as a form of collective psychotherapy for the withdrawal pains of world leadership. That would be ironic because, as Mr Furet admitted, the rehabilitation of "formal" freedom and "formal" democracy around the world owes more to American than to European influence, and is a vindication of 1776 at least as much as of 1789. Indeed he attributed the success of the Fifth Republic in achieving, at long last, a consensus among *Frenchmen about their political* institutions, to the fact that those institutions had "integrated elements from outside of the [French] revolutionary tradition." These include an autonomous judicial power, the Conseil Constitutionnel, responsible for overseeing and verifying the constitutionality of laws; and a head of state elected by universal suffrage, "an idea passionately rejected by the French revolutionaries."

Both these elements come, of course, from the United States. Mr Furet concluded that America and France have never been closer. Some people in France, he added, would now like to adopt the whole US system including a Supreme Court, but he himself thought the French adaptation "rather happy." He favoured at least a partial retention in France of the principles of 1789 on the very grounds which Burke invoked in 1790 to oppose them: they now form part of that accumulation of customs and mores which make up the living "Constitution" of a given human collectivity.

Mr Furet described the American Revolution as comparable to the French in that both proclaimed universal truths (society has to be founded on the Rights of Man, etc) – whereas the British case, he said, was "completely unique." Free institutions in Britain were derived from a specific English tradition that did not make such universal claims. Yet he also said the big difference between the American and French Revolutions was that in America "you have the recovery of English common law"; and his reference to the "Anglo-Saxon tradition" implied that the doctrine of limits on power, even when *that power* is based on popular sovereignty, is common to Britain and the US.

That may have been partially true in the eighteenth century, when the King of England was *still* an executive head of state, on whose powers those given to the President in the US Constitution were roughly modelled – though even then Britain had no written constitution and no judicial body capable of judging the constitutionality of decisions taken by the King in Parliament. But ironically enough the War of American Independence was the last occasion when the King's influence was decisive in determining the composition and policies of a British government. Thereafter the role of the monarchy was *gradually reduced to an almost* entirely symbolic and ceremonial one, while the doctrine of popular sovereignty associated with the American and French revolutions gained ground in Britain too.

And, by a further irony, in Britain it took the form of "parliamentary absolutism" – one of those negative aspects of the French Revolution, according to Mr Furet, which France has now at last grown out of – rather than the careful distribution of power among different levels and institutions of government, which he sees as "Anglo-Saxon" but which was in fact specifically American. Sovereignty in Britain today is located exclusively in Parliament, or rather in the House of Commons which alone derives its authority directly from the people. Even such fundamental liberties as *habeas corpus* and freedom of expression are not entrenched, but can be abridged or abolished by Parliament, if it so chooses, without the aggrieved citizen having any legal recourse.

At least – and this is the final irony – he has no legal recourse in Britain. There are now judicial bodies capable of overriding decisions of the British Parliament, but they are to be found on the continent: the Court of the European Community in Luxembourg, and the European Court of Human Rights in Strasbourg. In this sense Britain is clearly now less "Anglo-Saxon" than its European partners, and closer integration into western Europe is likely to strengthen rather than erode the liberties of British subjects.

FINANCIAL TIMES
Tuesday July 4 1989

Gorbachev to visit Paris despite Gromyko's death

By Paul Winfrey in Moscow

MR ANDREI GROMYKO, 79, who served an unrivalled 28 years as the *Soviet Union's Foreign Minister, died* in Moscow on Sunday after a short illness.

His death, which was announced by President Mikhail Gorbachev at a session of the Supreme Soviet yesterday, failed to disrupt Mr Gorbachev's scheduled *three-day visit to France*, which begins today.

The Soviet Prime Minister, Mr Nikolai Ryzhkov, who will preside over the *funeral, told journalists that* Mr Gromyko would be interred in Moscow's Novodyevichy cemetery tomorrow, and not in the Kremlin wall as had been speculated earlier.

A burial in the Kremlin wall, reserved for top leaders including Josef *Stalin and Leonid Brezhnev, would* have been a full-scale state occasion whereas Mr Gromyko's burial at Novodyevichy, in the grounds of an ancient monastery, suggests that the funeral will be more of a family affair with only a few senior leaders present.

After helping to promote Mr Gorbachev to the post of General Secretary in 1985, Mr Gromyko was promoted to the largely ceremonial post of President, *allowing Mr Gorbachev to take control* of foreign policy. Last September, Mr Gromyko was forced into retirement so Mr Gorbachev could add the post of *President* to his *portfolio*.

Although Mr Gromyko played an important role in Mr Gorbachev's promotion he had *recently begun to show* concern over his reforms. In May, Mr Gromyko wrote a magazine article in which he cautioned against abandoning the collective *farming* system, suggested that recent cuts in the defence budget might be going too fast and criticised the press for focusing too much on Stalin's crimes.

In April Mr Gromyko was unceremoniously dropped from the party's ruling Central Committee, along with 109 other ageing members. Whatever support he may have shown for Mr Gorbachev in the early days, Mr Gromyko's *style* and *substance could not have* been further removed from the new direction of Soviet foreign policy.

Nicknamed 'Mr Nyet' after he cast 25 "no" votes in the United Nation's security council in the 1950s, Mr Gromyko was once described by Soviet leader Nikita Khrushchev, who appointed him to the post of foreign minister in 1957, as the ultimate public servant who would drop his pants and sit on a block of ice if his superiors asked him.

Under the leadership of Mr Eduard Shevardnadze, the Soviet Foreign Ministry has set about a thorough *review* of everything Mr Gromyko did, launching the Soviet Union on a course of "new thinking" in foreign policy.

Gorbachev in France, Page 3

A youthful Andrei Gromyko (far left) steps out for Buckingham Palace in 1952 as the new ambassador to Britain. Nine years later (centre) *with Khrushchev at the United Nations in New York*. And last year with President Mikhail Gorbachev.

Policy guru whose legacy has been buried

John Lloyd chronicles the life of the man who served every Soviet leader from Stalin to Gorbachev

FEW MEN were more of their age than Andrei Gromyko, and none survived as long at or near the top *of the Soviet power structure*.

He served every general secretary from Stalin to Mikhail Gorbachev, praised them all in his carefully opaque memoirs, published earlier this year, and was the executor, and then the *shaper, of* Soviet foreign policy over the time which will probably come to be seen as its great imperial period.

Stony, clever and committed, Mr Gromyko was the stuff of which communist pride in the revolution was made.

The son of a poor peasant, born in July 1909 in the village of Old Gromyki on the upper reaches of the Dnieper, he was head of the US section in the Foreign Office before he was 30 and ambassador to the US by 34.

He said, and probably believed, he owed it all to the party: and certainly, the party's creation of a new élite drawn substantially from the ranks of the peasantry and the working class was a massive and brutal redistribution of power away from a corrupt aristocracy and a useless bureaucracy (which has re-appeared, enlarged).

In his tenure of ambassadorship from 1943 to 1946, he advised Stalin at the Yalta and Potsdam conferences before *shifting to the post of perma*nent representative at the UN (with the rank of deputy foreign minister). He returned to Moscow in 1948, and was promoted to first deputy minister in 1949.

*He became a candidate mem*ber of the politburo in 1952 and a full one in 1956. In 1957 he began his 30-year tenure at the foreign ministry.

He was described by Nikita Khrushchev (whose succession he had actually opposed) as a "craftsman" – and that probably explains something of his longevity in high office through periods when its tenure could often be dangerous.

Although he must have known more than his memoirs disclose, it is likely that he deliberately immersed himself in foreign affairs and could thus insulate himself against the worst of the domestic purgings and infightings.

In his memoirs, he paints a sympathetic and admiring portrait of Stalin – which is then counterposed by a section on his dark side, which reads more formally: "His memory worked like a computer and missed nothing... I came to realise what extraordinary qualities this man possessed... how much depended on the will of this man... I never heard him say anything that was not precisely relevant to the matter at hand... His thinking consisted of precisely formulated, original ideas... [He] was one of these few lead*ers who would never allow bad* news from the front to obscure his assessment of the facts, or his faith in the Party, the people and his armed forces."

It is clear Mr Gromyko learned a great deal from Stalin: *most of all* an uncompromising, initially flexible, defence of Soviet interests.

His power grew incrementally, especially under the increasingly ill Leonid Brezhnev, who confessed he knew little of foreign affairs: the record of these years, from the early 60s to the early 80s, is of the growth of Soviet influence in the Middle East, Latin America and Indochina, the growing enmity with China and the unyielding determination to suppress dissent in Eastern Europe.

Gromyko's reflections on the Prague Spring in his memoirs are brief, but to the point: the intention had been to stage a coup d'état; but "requests to the Soviet Union and other socialist countries... to block the path of the counter-revolution" were received and "immediate and effective support" succeeded in channelling events "in the desired direction and the collapse of the counter-revolution was an established fact". After *that, all that* was required was "to strengthen the country's internal forces. The people expected nothing less".

He it was who, more than any other high Soviet official, centred foreign policy on the *US: his early training and ori*entation must have predisposed him in that direction, but it is likely he was reflecting a common perception in the leadership that no other relationship was anywhere near as important.

The breakthroughs and treaties of the early 1970s with Richard Nixon and Henry Kissinger were perhaps the high points of his career: the reverses of the later 70s and 80s made him reflect caustically on the decline in US presidential quality (especially in the case of Jimmy Carter) and the inconsistencies of its foreign policy.

His typically unhelpful comment on the relationship is that "when the American leadership is being realistic, our relations are good and this is reflected beneficially in the world situation. When there is no realism, relations worsen, with a corresponding effect worldwide." In retrospect, his part in extending the Soviet imperium seems less impressive than once it did – most of all, in Soviet terms.

Although he supported the elevation of Mr Gorbachev to general secretary, it was Mr Gorbachev who, inevitably, replaced him as foreign minister with *the Georgian Eduard* Shevardnadze in 1985, and who quietly ushered him out of the Politburo in September last year, with a number of other ageing souls in the Central Committee.

The speed with which Mr Gorbachev and Mr Shevardnadze moved to dismantle the fundamentals of Soviet foreign policy showed both how iron and conservative the grip of the Gromyko doctrine had become – and that it was in this area where initiatives were possible and results achieved most easily.

Mr Gromyko was 79 when he stepped aside from any kind of power, with nearly 60 years of Soviet diplomacy behind him.

He takes nearly all the secrets to his grave, leaving in his memoirs a few insightful comments, but mostly the blandest of glosses on his and others' initiatives.

His memoirs' penultimate chapter, The Party Carries Lenin's Torch, is a po-faced reassertion of the faith with a lick of perestroika covering the rust: "By its nature, socialist society creates the possibility for limitless expansion but in order for that possibility to become a reality, everyone's total effort at the workplace is needed, as well as the focusing of their way of thinking."

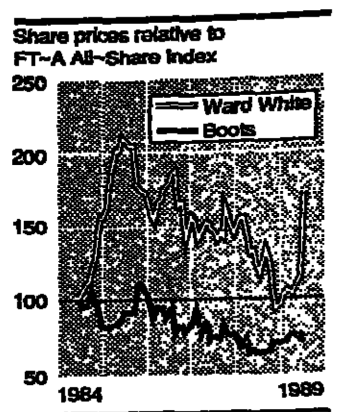
His judgment on Henry Kissinger – typically harsh – concluded with the pointed quotation from Seneca that "when a man does not know which harbour to head for, no wind is fair."

Mr Gromyko knew which harbour to head for, throughout his career, but his ultimate *legacy to the Soviet Union* was one which his successors have had rapidly to tear down.

THE LEX COLUMN

Boots prescribes some DIY

On one crude measure, the market disapproves of a Boots/Ward White merger: in the course of yesterday's trading, the combined value of the two companies fell by £56m. There is no question that the bid is an extraordinary volte-face for Boots, whose recent market revival has rested chiefly on its exploitation of existing assets. At this stage in its development, with net cash at £200m and rising, Boots is bound to feel vulnerable. It is not alone in feeling that pharmaceutical companies are too expensive to buy; but it need not follow that shareholders' money is best employed in a sideways lunge into DIY.



Granted, the DIY business comes as part of a package which includes the real attraction, Halfords. And indeed, the chaos in the DIY market might *suggest that this is the time to* get in cheaply. The snag is that while Boots claims to be able to fill a gap in Ward White's *strategic thinking*, it has to concede not only that the businesses are tightly run, but that *there is little or no overlap* with Boots' own operations. Indeed, if the plan is to reposition the DIY business and *increase its capital expendi*ture, there may be awkward implications for Boots' earnings in the medium term.

Of course, it may not come to that. In pushing the Ward White price 10 per cent above *the offer yesterday, the market* is calculating not only that Boots can afford to go higher, but that others are likely to come in. If these include the professional break-up merchants, the bidding could go *out of Boots' range. It can then* retire with a handsome profit on its stake; whether its former market image can be so easily recouped is another matter.

BSN/PepsiCo

It seems clear that BSN has handled the Nabisco Europe deal with considerable adroitness. Having forestalled its rivals by bidding a staggering price for the lot, it has now *sold on the unwanted bits at* a fractionally higher multiple again. As a result, it apparently ends up paying just over 26 times for companies which will fit neatly and economically into its existing biscuit *empire*. PepsiCo, by contrast, is paying nearer 28 times as a straight entry fee to the UK snacks market, in which it is not yet represented at all.

It almost defies belief that the humble Walker's potato crisp can fetch a price of close to a billion sterling. But the deal again illustrates the peril of being left out of the consolidation process. Poor little *United Biscuits is starting to* look boxed in: up against Nabisco in US biscuits, Unilever in frozen food, BSN in Europe and PepsiCo in snacks. The odds on its independent survival look increasingly *slim in the medium term:* though for the moment, with both BSN and PepsiCo out of the running, the list of assailants is looking rather short.

Wall Street, at least, seems to go along with the consolidation argument, judging from PepsiCo's almost unchanged share price yesterday. BSN's price rose sharply: but that *will have been mostly relief* from worries about a rights issue.

Consumer spending

There is still a possibility *that the latest surge in UK* retail sales is an aberration, or can be blamed on the freak good weather in May. However, there must now be a worry that the shock effects of the Government's high interest *rate* tactics are beginning to wear off, and that consumers are off again on another borrowing binge. The latest UK consumer credit figures point in this direction; and the 4 per cent growth in retail sales in *the latest three months, com*pared with a year ago, is in stark contrast to the US, where retail sales are now declining in real terms.

Throw in yesterday's results from First National Finance *Corporation, one of the biggest* players in the consumer lending sector, which show lending for home improvement and debt consolidation are still growing by around 15 per cent per annum – or more than *twice as fast as the core rate of* inflation – and there is plenty of room for concern. The official line is that since 85 per cent of total household debt is accounted for by mortgages, there is no real reason to worry about the growth in other types of consumer lending.

However, this is far too sanguine a view, especially if these sources of credit are proved responsible for maintaining a growth in UK consumer spending which is hindering an improvement in the trade balance. The pressure for yet higher mortgage rates is growing, but an overheated housing market is no longer the major problem.

Plessey

It is hard to quarrel with the market's reaction to a weekend of what appeared inspired rumour that the Ministry of Defence may have finally halted the GEC/Siemens bulldozer in its tracks. Yesterday's 17p drop in Plessey's share price to 236p was not merely a question of chopping out the bid premium *that has just been* keeping the stock above its mid-1984 levels: it also expressed more long-term concerns about the kind of Plessey that shareholders could be left with.

The market now seems to believe that Plessey will escape by selling GEC its 50 per cent of GPT. Given the legal complexities that have always surrounded the joint venture scheme, it is hardly surprising that estimates of the price vary from £500m to £800m. The higher figure looks more realistic; Plessey has spoken of about 16 times after-tax earnings as a fair price for total surrender to GEC/Siemens. Applying that multiple to its half of GPT gives a rough figure of £830m.

That figure would be some sort of achievement, even allowing for capital gains tax, if the Ministry of Defence is *genuinely adamant* that Plessey's electronic encoding machines must not stray into German hands. But take out GPT, and Plessey is left dependent for 50 per cent of its operating profits on low-margin, slow-growing defence electronics. The new Plessey would have a sizeable cash pile, even after clearing its present £200m debt burden; but the prospect of seeing Plessey turn itself into a smaller version of the GEC of the early-to-mid 1980s, cash-rich but chronically adrift of the stock market, is unappealing.

US court imposes tighter abortion laws

By Lionel Barber in Washington

THE US Supreme Court *yesterday imposed new restric*tions on a woman's right to an abortion, igniting renewed national controversy on the most explosive and emotionally charged political issue in America.

In a long-awaited ruling, the Court rejected pleas by the Bush Administration to overturn the key 1973 Roe v Wade decision which legalised abortion in the US. But it upheld most parts of a Missouri law making it more difficult to terminate a pregnancy.

The 5-4 ruling sets the stage for intense conflict in state legislatures which may spill over into national elections, particularly the mid-term races for the House and Senate next year.

The narrow vote underscored the "Reagan legacy," the conservative majority which former President Ronald Reagan created *through* his appointment of three new justices, including Justice Sandra Day O'Connor, the sole woman justice who concurred in yesterday's ruling.

The restrictions effectively abolish abortions in public hos*pitals or clinics, hitting the* poor the hardest. They ban the spending of public funds to counsel women to have the operation and bar public employees from participating in abortions.

Women at least five months pregnant will be required to have their doctor check on the foetus's weight and lung devel*opment to determine if it could* survive outside the womb. The law does not prescribe what happens if the foetus is deemed *able to survive, but most* assume this would rule out an abortion.

Anti-abortion campaigners hailed the ruling as an invitation to the individual states to write tough new laws against abortion: "It's the beginning of the end of legalised child-killing in our nation," said Barbra Magera, an official of Opera*tion Rescue. "We see this as a* remarkable victory for us in the pro-life movement."

Chief Justice William Rehnquist, writing the majority opinion, acknowledged that the ruling would "undoubtedly allow more governmental regu*lation of abortion than was* permissable than before," but he rejected the charges that the states would return to the "dark ages."

Ms Molly Yard, president of the National Organisation of Women, vowed to take the abortion debate to the nation: "Every person who stands for election in this country is *going to have to answer: are* you for the right of a woman to control her reproductive life. If you aren't, move on over."

Noting that the court had agreed to hear three more abortion cases in the autumn, Ms Yard said: "They will chip away some more. Pretty soon, nothing much will be left for a woman in terms of controlling her reproductive life."

Justice Harry Blackmun, one of the four dissenters and the Justice who wrote the 7-2 *majority opinion* in Roe v *Wade* 16 years ago, agreed. He accused the majority justices of cowardice and said the ruling was "profoundly destructive of this court as an institution."

Official estimates are that there are 1.5m *abortions* performed in the US each year, including 500,000 on teenagers. Since the Roe v Wade ruling, anti-abortion activists have grown in strength, firebombing clinics and staging sit-ins outside hospitals which perform abortions.

Thousands have been arrested, including one of the *principal authors of the Miss*ouri law which went before the Court in the "Webster v Reproductive Service" case.

Mr Bush, who has modified his position on the right to an abortion, opposes, *like* Mr Ronald Reagan, abortions except in cases of rape, incest and when the life of the mother is threatened. In the run-up to yesterday's ruling, Mr Bush circulated a video broadcast to supporters in which he forecast the eventual triumph of *the anti-abortion movement*.

The court has recently aroused a national controversy by upholding the right of protesters to burn the American flag as a means of political protest.

Snub to Britain in Hong Kong

Continued from Page 1

vate and public sectors on the *basis not simply of* connections with Britain but also the value of service to Hong Kong."

It is believed the plan could involve issuing UK passports, or maybe only certificates of *entry, to select groups*. This would be in addition to about 3,000 civil servants and police who have already been secretly given undertakings.

The second area of action concerned "circumstances of an extreme situation." Britain "would not close its door" if things went "catastrophically wrong." It had already started work on a plan which would include mobilising "the international community."

He also said, without going *into detail, that Britain* was considering a faster pace of democratic development in Hong Kong, and that issues to be raised with with China included strengthening the Basic Law

Plans for China's Peoples Liberation Army to be stationed in Hong Kong would need "rigorous attention."

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio		–	–	Dubrovnik	T	27	81	Malta	S	24	75	Rhodes	S	27	81
Algiers	S	30	86	Edinburgh	F	22	72	Manchester	S	21	70	Rio de J'o		–	–
Amsterdam	S	22	72	Faro	S	25	77	Manila	C	30	86	Rome	C	23	73
Athens	S	30	86	Florence	R	18	64	Melbourne	F	14	57	Salzburg	R	15	59
Bahrain	S	37	99	Frankfurt	C	16	61	Mexico City	C	25	77	San Francisco	C	13	55
Bangkok	F	34	93	Funchal	S	25	77	Miami	S	25	77	Seoul	C	25	77
Barcelona	S	25	77	Geneva	S	21	70	Milan	C	19	66	Singapore	F	31	88
Beirut		–	–	Gibraltar	S	29	84	Montreal	S	19	66	Stockholm	S	23	73
Belfast	S	21	70	Glasgow	S	21	70	Moscow	C	19	66	Strasbourg	C	19	66
Belgrade	F	28	82	Guernsey	C	17	63	Munich	R	15	59	Sydney	S	20	68
Berlin	Dr	13	55	Helsinki	S	23	73	Nairobi	F	22	72	Taipei	R	35	95
Biarritz		–	–	H. Kong	F	31	88	Naples	F	28	82	Tangier	S	25	77
Bombay	F	29	84	Innsbruck	R	12	54	Nassau	C	33	91	Tel Aviv	S	31	88
Bordeaux		–	–	Inverness	F	22	72	New Delhi	F	33	91	Tenerife	S	28	82
Brussels	F	21	70	Islamabad	C	29	84	New York	S	24	75	Tokyo	R	18	64
Budapest	S	28	82	Istanbul	F	26	79	Nice		–	–	Toronto	S	20	68
B. Aires	C	12	54	Jakarta	C	32	90	Nicosia	S	27	81	Tunis	C	28	82
Cairo	S	36	97	Jersey	C	19	66	Oporto	F	22	72	Valencia	S	28	82
Cape Town	F	15	59	Jo'burg	S	17	63	Oslo	S	24	75	Venice	R	17	63
Caracas	C	29	79	Lima	C	18	64	Paris		–	–	Vienna	S	23	73
Casablanca	F	24	75	Lisbon	F	23	73	Peking	C	25	77	Warsaw	F	24	75
Chicago	F	20	68	London	F	21	70	Prague	F	18	64	Washington	F	23	73
Cologne	C	19	66	Los Angeles	F	17	63	Reykjavik	R	8	46	Zurich	F	17	63
Copenhagen	S	22	72	Luxembourg	C	17	63								
Corfu	S	27	81	Madrid	S	33	91								
Dallas		–	–	Majorca	C	28	82								
Dublin	S	19	66	Malaga	C	25	77								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Japanese party deserted by electorate

Continued from Page 1

Ryutaro Hashimoto, the LDP secretary general, moved *quickly to try to rally the* party. Now was not the time to discuss the leadership's responsibilities, he said; there had to be unity.

Government officials insisted the ruling party's political *troubles would not affect for*eign policy - including its position at the forthcoming Paris summit of Western leaders. However, business and trade union leaders called on the LDP to promote reform or face the electoral consequences.

The financial markets were unsettled: the yen fell sharply *against the dollar in Tokyo* and the Tokyo stock market was well down in early trading but later recovered to close up 287.73 at 33,236.42.

In the municipal election, the LDP saw its seats on the *council fall from 63 to 43. The* socialist party's total, which had generally been expected to double due to the ruling party's problems, jumped from 12 to 36, including seven JSP-associated candidates. The social*ists also took support from the* Japan Communist Party.

The LDP will retain control of the council because the support of allies including the Komei (clean Government) party will enable it to rely on 75 members out of 128.

Nevertheless, the socialist party's block of 36 is its largest total on the city council for 20 years. The figures highlight that even though LDP losses this time were severe, the party started from a strong position, which was reinforced by election successes in the 1980s.

هكذا من الاصل

هكذا من الاجل

SECTION III

FINANCIAL TIMES
SURVEY

A dozen nations have made nuclear power an indispensable part of their electricity supply. But others continue to resist its use, despite growing evidence that it is environmentally the least damaging source of electricity, writes David Fishlock, Science Editor

The main control panel at the No 1 reactor at Kashiwazaki Kariwa nuclear power station, Japan

Ashley Ashwood

World Nuclear Industries

Wrestling with stagnation

NUCLEAR power is no longer seen as the panacea for the world's energy problems, as it was in the 1960s and into the 1970s. That much is plain from the latest projections of the OECD's Nuclear Energy Agency.

The output of nuclear electricity from the 24 nations of the OECD continued to increase last year, by 8.9 per cent. Ten new reactors came on-load. It now provides nearly a quarter of the electricity in OECD member-states.

But half of them still have no nuclear electricity at all, and those with it foresee only a modest expansion by 2000, with the exception of Belgium and Japan. The agency expects a further small increase overall, to 23.8 per cent by 1990, but thereafter a slow decline, to 22.7 per cent by 2000 and 21.8 per cent by 2005.

For the world's nuclear industries this picture presents problems. The nations which have pinned their faith most heavily on nuclear power are nearing completion of their initial programmes. In 1988, France generated almost 70 per cent of its electricity from its 55 reactors (54,000 MW of capacity), and the US, 19.5 per cent of its electricity from 110 reactors (102,000 MW).

Hopes once entertained by *these two nations – and others* – that their manufacturing industries would remain well occupied fulfilling the nuclear needs of others have not been realised. The situation is summarised in the words "widespread stagnation" heading a survey of world prospects for nuclear construction published by the Nuclear Engineering International journal last month. It concludes that the Soviet accident at Chernobyl in 1986 has cast a long shadow, while the wide variation in economic performance of reactors is an unconvincing counter to the prevailing apprehension.

One need look no further than the UK to see the economic variability. In the past year British utilities have commissioned new advanced gas-cooled reactors at Torness and Heysham whose performance in speedily rising to full power and remaining there stands comparison with any worldwide. But the same industry still suffers the agonies of AGRs ordered two decades ago which still seriously under-perform and in some cases may never perform well.

Some nations transmit anomalous signals. Sweden gets nearly half its electricity from a dozen reactors, and has one of the best records for nuclear performance, yet insists that it will abandon nuclear power by 2010 even though it has no competitive replacement power to offer.

The best reactor performance last year came from an American pressurised water reactor, St Lucie, with a load factor of 99.7 per cent. Callaway 1, on which Britain's Sizewell B programme is modelled, turned in 89.7 per cent. Britain's best, Hinkley A, a first-generation Magnox reactor, reported 87.9 per cent.

But the top 10 nuclear electricity producers in the western world consist of four German, five US and one Belgian reactors, all up and running for over 10 years. The leader, Biblis A, a 1,200 MW PWR built by Kraftwerk Union, is the first to exceed 100 terawatt(million million) hours of electricity production.

After 15 nuclear "initiatives" – local referenda inspired by anti-nuclear organisations in the US – had all failed to produce a vote in favour of closing a nuclear plant, the 16th succeeded in Sacramento, California, last month. The 970 MW Rancho Seco plant, running since 1974, has a long record of under-performing as well as a bad record of being faulted by government nuclear inspectors. The problem, and the real danger to the credibility of the US nuclear industry, of this bad apple had been foreseen. Duke Power, a utility on the other side of the country with an excellent record in running its own seven reactors, even offered to operate Rancho Seco for its owners. They failed to grasp the helping hand.

The UK electricity industry for the past 18 months has been wrestling with the problem of nuclear credibility in a particularly transparent situation. The government wishes to privatise the industry, and quickly, on terms that will ensure greater competition in electricity supply. It produced a formula that removes from the Central Electricity Generating Board its time-honoured obligation to guarantee adequate supplies.

According to Lord Marshall, CEGB chairman, the privatised National Power Company which is to inherit the CEGB's entire nuclear inventory will be the only utility in the world with nuclear plant and no obligation to supply its customers.

Instead, the statutory commitment passes to a new organisation. As the CEGB saw it, this change could seriously jeopardise the future of nuclear power at a time when its most dependable "workhorses" – as it once called its Magnox reactors – are nearing the end of their lives, and the big PWRs intended to replace them have barely begun construction. The CEGB has won from government two important concessions to safeguard nuclear power against wilful interference by either government or the new "middle men" between utility and customer. One is that a minimum proportion of the nation's electricity shall be "non-fossil" (meaning nuclear for the foreseeable future). The other is that the government will indemnify the industry against unforeseen future risks in pensioning off the old workhorses.

With these two key concessions, Lord Marshall says he is now confident the nuclear industry can be successfully privatised. By the end of the year he expects to have negotiated a long-term contract with the middle men – the electricity boards – based on a programme of four 1,150MW "British PWRs" of the Sizewell B design, as replacement for the Magnox stations. Unlike the 50-odd private US utilities with nuclear capacity, National Power will start life next year knowing that the design of its new nuclear plants have the blessing of government inspectors, and that the finished plants will be accepted on the rate base.

For investors in National Power the biggest risk remaining will be whether it can build its four PWRs on time and to budget. "*Construction so far looks good*," Lord Marshall says. He has seen his efforts as head of the exhaustive government inquiry into PWR pressure vessel integrity translated into a vessel for Sizewell B which has just received final inspection and been declared fault-free.

Lord Marshall acknowledges that it will be several years before National Power seriously contemplates a new reactor. But the fact that Power Generation, its competitor-to-be, has won from government the freedom to invest from scratch in nuclear power is a mark of confidence in the technology.

Sights at present are set on a new generation of reactors, smaller but simpler, with new safety features, and aiming at reaping economies of scale from the way they are made and assembled. Reactor vendors in the US, Sweden and the UK have proposed designs of 300MW-600MW in the belief that such a size, coupled with the new safety features, could rekindle interest in nuclear power with many utilities facing slower rates of load growth than in the 1960s. These designs, however, are still several years from being tested for public acceptability.

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Evidence that there is a widespread public yearning for a form of nuclear power perceived as clean and safe appeared unexpectly this spring, with the unprecedented display of interest worldwide in claims for "cold fusion". For some years past fusion power has been failing conspicuously to live up to earlier expectation as either an economic or a clean new energy source. One US industry study even concluded that, when finally realised, fusion would best be used to make fuel for fission reactors.

Then in March two chemists challenged all conventional wisdom by claiming to have seen fusion in an electrochemical cell. Today they are probably the world's best-known scientists. Sadly, they seem to be wrong.

For the nuclear industries the strategic challenge must be to fulfil this latent public desire for clean and cheap energy, not by making unsubstantiated claims, but by consistent and ever-improving performance from the investment already made in more than 400 power reactors capable of generating nearly 330,000MW. The signing in May of a treaty pledging all the world's nuclear utilities to back the cause of better and safer nuclear performance, through *the World Association of* Nuclear Operators, could be a turning point for the industry.

Nuclear statistics do not lie when they say that nuclear energy is already the safest large-scale source of energy known to man, for its own employees as well as for the public at large. Not only does it contribute little or nothing to the radiation exposure of people generally, it also offers 330,000MW of power in the western world that contribute nothing to the potential risk of overheating the planet through the "greenhouse effect".

Once these two facts are more widely accepted, the market for nuclear reactors will surely return.

WORLD NUCLEAR INDUSTRIES 2

Politics of waste disposal

Nirex's search for a peaceful resting place

"THEY don't know what to do with the waste" is probably the most frequent objection raised nowadays to nuclear power.

Technically, it is simply not true. The nuclear industry probably has a better understanding of its waste management problems than any other industry. But as Mr Neville Chamberlain, British Nuclear Fuels' chief executive, puts it: "We cannot build a waste repository until society determines where it should be."

Opponents of the industry recognise that their strongest card is to ensure that the industry never gets permanent repositories, so that they can continue to claim that it "doesn't know what to do with its waste".

Nuclear critics recognise that their strongest card is to ensure that the industry never gets permanent repositories, so that they can continue to claim that it 'doesn't know what to do with its waste'

So opponents insist that the radioactive waste must be kept in surface stores, in close prox*imity to the nuclear activities* that generate it, and not be placed permanently behind engineered barriers away from the public, as common sense suggests. Even at Sellafield, Cumbria, where most of Britain's radioactive waste accumulates and which is probably the most tolerant UK community towards the nuclear industry, the proliferation of radwaste stores has begun to cause local disquiet.

The issue came into sharper focus for industry and government in the UK with an investigation of radioactive waste management by a parliamentary select committee in 1986. This report exposed the conflict between proponents and opponents of nuclear power. It accepted the logic of permanent disposal but called for a "Rolls-Royce approach" to engineering standards of waste containment.

The Department of the Environment subsequently translated this into a requirement that no member of the public should be exposed to a radiation dose exceeding 0.1 milli-Sievert a year from radwaste.

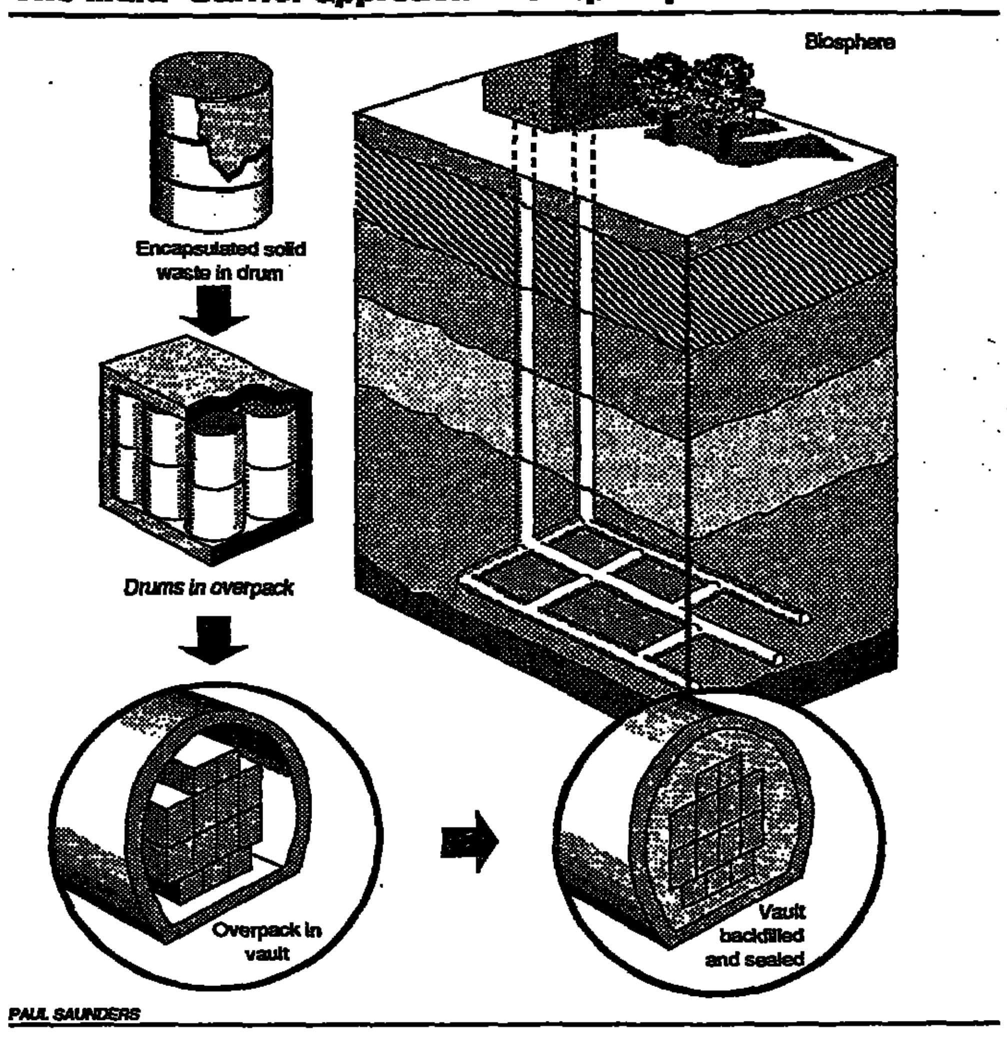
To put this dose limit into perspective, the average exposure per Briton is 25 times as much, mostly from natural radiation such as radon seeping from the ground and cosmic rays from outer space. The *National Radiological Protection* Board warned government earlier this year that some *Britons are being exposed to* 20-100 mSv a year from radon alone.

Nevertheless, UK Nirex, the body authorised by government to manage radwaste, has drafted a scheme it believes will meet the standard. It abandoned earlier ideas of separate *repositories for low-level and* intermediate-level radwaste, and now proposes a single sub*terranean repository capable of* accommodating 1.3m cu metres of waste of both kinds, already *accumulated and expected to* arise over the next 40-50 years.

This is the volume of coal *Britain mines in just six days.* Nirex claims it is only 1.1 per cent of the total volume of *toxic wastes Britain will gener*ate over this period.

To achieve the degree of *radiological protection stipu*lated, UK Nirex has adopted the multi-barrier approach illustrated in the accompanying diagram. First, the radwaste will be encapsulated in cement or bitumen, in steel drums. These drums, in turn, will be sealed in a concrete-and-steel "overpack". Then the overpacks will be stacked in concrete-lined vaults.

The Multi-Barrier approach to deep disposal



PAUL SAUNDERS

Eventually, the industry hopes these vaults will be sealed permanently. But for the present it is assuming that the government will want the waste packages to remain retrievable. It calls it the "managed, monitored, retrievable" approach, and the radwaste will remain retrievable until the safety of the disposal route has been demonstrated to the public's satisfaction.

Nirex acknowledges that the concepts embodied in such a repository are already being tested elsewhere in Europe. Much of this research has been supported by the European *Community, now on its third* five-year R and D programme into radwaste disposal.

Sweden, for example, with Europe's most advanced radwaste disposal programme, is *completing a sub-sea reposi*tory at Forsmark north of Stockholm, which has been receiving radwaste for the past *15 months. It is stored in silos* 60 metres beneath the sea and 1 km offshore. Next year the Swedish Nuclear Fuel and Waste Management Company (SKB) plans to start excavating its Hard Rock Laboratory, precursor to a second repository, for permanently burying unre*processed spent nuclear fuel.*

Nagra, Switzerland's equivalent of Nirex, has a test site at

A select committee report has called for a Rolls-Royce approach to containing waste

*Grimsel, using a gallery lead*ing to a hydropower station as a convenient access to rock *with a large overburden.* Here Nagra has research done partly in collaboration with West German laboratories.

Germany itself, through its Physikalisch-Technische Bundesanstalt (PTB), has selected the former iron ore mine at Konrad for development into a repository for low and intermediate level wastes. It intends to begin the conversion in the early 1990s, for completion around the turn of the century.

A separate repository is planned for a salt deposit at Gorleben, for highly radioactive, heat-generating wastes. The Dutch are also exploring salt formations in their OPLA programme. France plans to have the first stage of a deep *repository in service* by 2000.

UK Nirex has identified two locations where a deep reposi*tory appears* to be both geologically feasible and socially acceptable. They are Sellafield, *Cumbria, centre of commercial* reprocessing and therefore the source of much British rad*waste; and Dounreay in Caith*ness, seeking a new mission.

For each there is the attraction of a project *Mr Tom McInerney*, Nirex's managing director, likens in scale to the *Channel Tunnel*, with employment "in perpetuity" for about 350 staff. Test boring of the Sellafield site has already started. Other things being equal, logistics must favour Sellafield where it may be possible to take conditioned and packaged radwaste straight into the repository without passing into the public domain.

But Mr McInerney believes it unlikely that Nirex will have the government's permission to start excavating on either site before the mid-1990s. He forecasts that Britain's first repository will enter service around 2005.

David Fishlock

NUCLEAR ECONOMICS

Brave new world wakes up to financial reality

AT THE dawning of the age of *civil nuclear power after the* Second World War, engineers were inspired by a seductive *dream: that power from the* atom would be almost free, releasing mankind from depen*dence on the toil of coal min*ing or the uncertainties of oil.

It is a vision which has continued to inspire the industry even in the darkest days of uncertainty about safety and control of costs. It was rooted, after all, in the extraordinary scientific excitement which followed Einstein's formulation of the equivalence of energy and mass, E=MC², the wonder, that if only one could destroy a tiny bit of matter (M), one could get out an amount of energy (E) equal to that mass multiplied by the speed of light *squared.* And light travels at 670m mph.

So it was not surprising that after the devastations of Hiroshima and Nagasaki had been followed by successful demonstrations of civil nuclear power, a sense of euphoria developed among nuclear experts. With hindsight, it appears that this over-optimism and incautious attitude to the costs of safety was partly responsible for the seri*ous economic reversals which* nuclear power was to suffer in the 1970s.

*The sad story of over-opti*mism among US utilities in the 1960s, construction delays, *incompetent project manage*ment, and mounting costs for safety changes after the Three *Mile Island nuclear accident a* decade ago is now all too well documented.

Mr Victor *Gilinsky*, the former US nuclear regulator, described at a London conference *last year the rapid scaling* up of plant from the early 200 MW units to 1,000MW and commented drily: "There were

It is an open question whether even France's nuclear programme will turn out to have been such a good buy

some early caution lights that suggested that the nuclear *enterprise might be riskier for* utilities than it seemed, but not many paid attention."

As a result of increased safety and construction costs, much more strident public *opposition, a tougher attitude* to capital recovery by state regulatory commissions and the consequences of bad management, less than half the projects under way or on the order books in the US 15 years ago will be completed.

And as Mr Gilinsky said: "Although the US nuclear generating capacity is larger than those of France and Japan combined, US nuclear construction is essentially over."

Few in the US now disagree that nuclear power is likely to prove too expensive, not just against its traditional competitor, coal, but against the the newer combined cycle gas turbines which can offer high thermal efficiencies as well as lower capital costs, and the flexibility of smaller units.

Comparisons of the true economic competitiveness of US nuclear plant is notoriously difficult, partly because of the the great range of capital costs and partly because of the peculiar accounting and regulatory systems used by US utilities.

However, the Paris-based International Energy Agency estimated in 1986 that coal-fired plant could have a 25 per cent overall cost advantage over nuclear in the Rocky Mountain region, and would be

After many setbacks, 'US nuclear construction is essentially over'

roughly level with coal plant in the central and eastern parts. However this assumes only a 5 per cent real rate of return on capital, which in view of the regulatory and other risks, most US utilities would consider much too low.

For all the developed countries, the IEA figures suggest that the capital costs of new nuclear plant is about 75 per cent more than for a large coal-fired plant of equivalent size, but the fuel costs are only about a third as much.

Since these figures were first published, many experts have run them through the mill of sensitivity analyses, asking the crucial questions as to how nuclear competitiveness stands up to changed assumptions about future construction costs, a different cost of capital (discount rate), different estimates of the lives of power stations or relative changes in the cost of coal and the nuclear fuel cycle.

Mr George Yarrow, of Hertford College, Oxford argued in a recent paper in Economic Policy ("The price of Nuclear Power"), that many of the uncertainties could have offsetting effects, so that the IEA estimates provide a reasonable basis for comparing performance. However, Mr Yarrow *and almost all other commen*tators agree that the 5 per cent real discount rate used by most *nuclear utilities, but not those* in France and Belgium, is too low and should be closer to 10 *per cent in real terms (ignoring* inflation).

This discount rate, which represents the opportunity foregone by not investing the capital in an alternative project, has a big impact on the economics of nuclear power because of its long construction times and relatively high capital cost. A high discount rate may alternatively be seen as capturing some of the risks and uncertainties of nuclear power. With a 10 per cent rate, the IEA figures suggest that taking an average for all the industrialised countries, nuclear power would no longer have an appreciable advantage over coal.

However in France, where a huge national programme has resulted in some 61 nuclear plant being built or under construction, capital costs have been brought *far below* the world average; nuclear power would have a 30 per cent cost *advantage over coal even with* a 10 per cent discount rate.

The success of French engineers in cutting costs and obtaining excellent performance from nuclear plant owes perhaps as much to the vision and enthusiasm of the industry as did the failures of the US *adventure into nuclear power.*

But France is also having to pay the price of excessive *enthusiasm in a different way.* A huge nuclear infrastructure has been built up, able to turn out perhaps two to three nuclear plants a year for a sys-

Less than half the projects under way or on the order books in the US 15 years ago will be completed

tem which already has surplus capacity, although in a free market, the potential for exporting cheap nuclear power to other European countries might justify the continued building of plant.

It is an open question, therefore, whether, considered as a totality, even France's nuclear programme will turn out to have been such a good buy as is sometimes claimed. A more balanced programme, with a different mix of plant and lower debt might in the longer term have proved to be in the best interest of consumers.

It is a balance which in dif*ferent ways*, Japan, West Germany and the UK will need to assess very carefully, even *before giving weight to the* pressures of environmental lobbies. For if the nuclear age is now *passing into maturity*, that means the scientific vision of a brave new world must be subsumed into the clicking of an accountant's calculator.

Max Wilkinson

مكررا من الاصل

UNITED KINGDOM

A club back in fashion

THE "international club" approach to developing the nuclear industry, briefly fashionable in Britain before the "energy crisis" of the early-1970s, shows clear signs of returning to favour in the 1990s.

This year alone, UK nuclear companies have made a bid for nuclear development cash from the US Department of Energy, announced participation in a $750m US joint enrichment venture, made a bid for a stake in West German fuel fabrication, and signed the European Fast Reactor agreement.

The new climate dates from the decision, finally taken by the Government little more than two years ago, to abandon the British line of gas-cooled reactor development and join the mainstream of thermal reactor technology by licencing the Westinghouse pressurised water reactor. It opened fresh opportunities for British companies to compete in world markets for PWR fuel, components, and specialised services such as safety validation and in-service inspection.

A year later the Government announced plans for privatising the electricity supply industry. The entire nuclear capacity and support structure of the Central Electricity Generating Board, including the newly-begun Sizewell B PWR and plans to replicate it several times, has been assigned to National Power, comprising 70 per cent of existing capacity.

It leaves Power Generation, representing the other 30 per cent, initially dependent on elderly coal-fired stations. It also leaves a risk that nuclear power, in the hands of one company and further protected by the government's stipulation of a 20 per cent non-fossil component of national electricity, could become a cost-plus activity.

PowerGen and other prospective generators after privatisation have won from government the freedom to invest in nuclear power. This opened the way for a new kind of reactor, invented last year by the UK Atomic Energy Authority in partnership with Rolls-Royce and Associates. SIR, the safe integral reactor, backed by two leading US nuclear engineering groups, Combustion Engineering and Stone and Webster, is seeking $50m (£30m) of support for design and development from the US Government, under its scheme for promoting safer and cheaper nuclear systems.

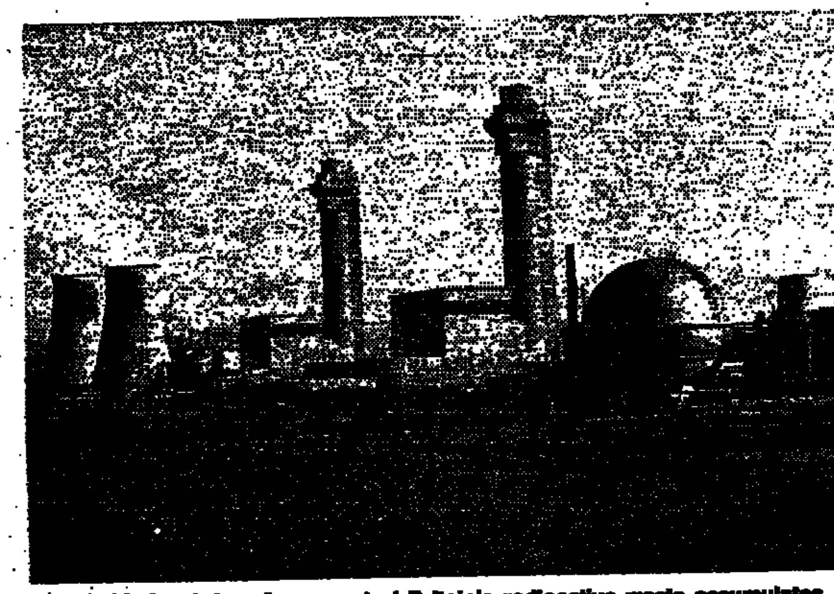
For National Power, the 320MW SIR is simply an unwanted distraction from all the manifold problems of building a series of big PWRs on time and to cost by 2000. For its competitors – PowerGen and the electricity boards – SIR could be the way to compete against big PWRs in the non-fossil sector.

Mr John Harris, chairman of East Midlands Electricity and also chairman of the flotation committee set up by the 12 electricity boards, says he has been persuaded of the potential merits of a small, factory-built reactor, and has helped persuade several other electricity boards to back the submission of SIR for US funding.

Mr James Stewart, chairman of the British Nuclear Forum, says these boards "bring a freshness of thought that the nuclear industry ought to welcome." With PowerGen, Rolls-Royce and the UK AEA, the boards have mustered pledges of another £30m to meet design and development costs.

Last month a new US nuclear consortium, Louisiana Energy Services, announced plans to build the first private uranium enrichment facility in the US. The consortium comprises three US utilities (Duke Power, Northern States Power and Louisiana Power and Light), the US engineering group Fluor Daniel, and the Anglo-German-Dutch enrichment group Urenco. The US facility will use Urenco gas centrifuge technology.

The three European governments have approved the transfer of technology to the US. Urenco will supply the gas centrifuges – more than half the cost of the investment – and Urenco will have a shareholding in the plant. Its capacity when on-stream in 1996 will be 15 per cent of the enrichment demand of the US, a country which once sought to monopolise supplies of enrichment to the western world. At current enrichment prices, the plant will have a turnover of about £100m a year.



Sellafield, Cumbria: where most of Britain's radioactive waste accumulates

Urenco was the first and is the most successful of Britain's international nuclear ventures. The spirit is captured in the way the three partners adopted the nickname "trioka", originally a somewhat sceptical joke: The partners are the state-owned British Nuclear Fuels, the privately-owned Uranit consortium in West Germany, and the mainly state-owned Ultracentrifuge in the Netherlands.

The new climate has opened the door for UK companies to compete in world markets for PWR fuel, components and specialised services

For nearly 20 years, Urenco has pooled its research and development to arrive at a single centrifuge technology, unique to the group, now used in enrichment plants in each country. Its fourth plant, using the latest technology, will be in Louisiana.

A key figure in negotiating the project has been Senator Bennett Johnson, of Louisiana, chairman of the Senate energy committee, who has hailed it as a "monumental victory" for his oil-based state in attracting new high-technology industry. It will compete with the US Government enrichment monopoly because it uses only about 4 per cent of the energy of the diffusion process, Urenco claims.

BNFL sees Urenco as the model for other international operations in nuclear fuel, for example, in reprocessing and fuel fabrication. Urenco's first plants in the 1970s were built only in Britain and the Netherlands, to avoid political repercussions from having enrichment in West Germany.

Today for political reasons Germany wants to avoid doing its own reprocessing. Britain is negotiating with the German electricity industry to undertake the reprocessing of some 4,000 tonnes of spent fuel from 2002, in a deal that will give BNFL the opportunity to enter the European market for recycled light water reactor fuel.

There is growing interest among many European utilities in recycling not only uranium but plutonium recovered though reprocessing. BNFL has considerable experience in these areas. "If that's part of the nuclear fuel cycle market we want to be in it," says Mr Neville Chamberlain, BNFL's chief executive. He claims the gas centrifuge has clear advantages over rival enrichment capacity for re-enriching recycled uranium.

International ownership is the future of the whole nuclear cycle, Mr Chamberlain believes. The way for Germany's industry to remain in the fuel cycle is for it to buy a stake in plants in other countries, as it did with enrichment. BNFL wants to see Germany remain in the fuel cycle. "The time may come when it is easier to build an international fuel facility in Germany than in the UK," he says.

Nowhere, however, are the advantages of international collaboration more clearly recognised at present than for the survival of the fast reactor in Europe. Britain itself faces a cutback to about 10 per cent of today's budget over the next few years.

Europe is spending about £300m a year on the technology, mostly in Britain, France and Germany. About £175m goes into operating prototype and demonstration facilities. The remaining £125m is supporting research, development and design for a single objective, the European Fast Reactor (EFR). A club of electricity companies called the European Fast Reactor Utilities Group (EFRUG) has commissioned a joint attempt to design EFR as a commercial reactor acceptable to licencing authorities throughout Europe, and competitive in costs with light water reactors.

Britain formally became part of the EFR project in February when the three partners signed a series of fast reactor agreements covering a unified R and D programme, a co-ordinated design team, and the sharing of intellectual property rights. The National Nuclear Corporation (a GEC subsidiary), Interatom (Siemens) and Novatome (Framatome) have between them some 250 engineers engaged on EFR design.

The big test for EFR comes next year when EFRUG, as patron, will review progress towards meeting some very demanding objectives. If EFR passes this test, it may move from the network of committees now co-ordinating the project, to a fully integrated management structure capable of building the first EFR.

David Fishlock

FRANCE

Bleak times ahead

NO country has pursued the nuclear option with such unswerving determination as France. Not only has it developed an industry capable of handling every aspect of the nuclear cycle, but it is second only to the US in its nuclear-based generating capacity.

Yet just when it has virtually completed its equipment programme, France faces fresh problems: oil prices have slumped, confidence in nuclear has been shaken by Chernobyl, one country after another has frozen its nuclear programme and even France now faces a significant electricity surplus.

Few people in France question the country's decision to give nuclear energy such priority. With virtually no oil, gas or coal resources of its own, nuclear was the only way France could reduce its dependence on outside suppliers. Planners admit that too many plants have been built, but they consider this is but a temporary problem. In their view, the problem is just one of maintaining France's technological and industrial capacities during the lean years ahead. It is this question that Mr Philippe Rouvillois, former French railways chairman, will be examining in a report which was recently commissioned by the French government.

France's nuclear programme has been pursued with almost military precision. The driving force from a research point of view was the Commissariat a l'Energie Atomique (CEA) which developed France's "force de frappe", but in the end CEA's graphite-gas technology was abandoned in favour of the pressurised water reactor (PWR) technology developed by Westinghouse.

While the state-owned utility Electricite de France (EDF) assumed overall responsibility for the programme, Framatome was selected as the exclusive supplier of the reactors and Alsthom (Compagnie Generale d'Electricite) of the turbine generators. Cogema, the industrial subsidiary of the CEA, handled the fuel cycle. It controls some 20 per cent of the world's uranium resources, has a controlling stake in the uranium enrichment consortium Eurodif, manufactures fuel in association with Framatome and Pechiney, reprocesses spent fuel at La Hague near Cherbourg through its subsidiary Cogema, and looks after the storage of nuclear waste.

The decision to reprocess was partly motivated by military factors, but it was also based on the conviction that fast breeders would eventually be needed because of the limited availability of uranium in the world. With the US hesitating over the fast reactor, France has emerged as the world leader in this field.

Some 20 years after switching to PWR technology, the French have virtually completed their nuclear programme. At the end of last year 49 PWRs were in service, representing around 50,000MW of capacity. Another three plants are due on-load this year and by 1993 57 PWRs will be in operation with a total capacity of around 60,000MW.

Planners admit that too many nuclear plants have been built

With the help of the Italians and the Germans, the French have also built the world's biggest demonstration fast reactor, 1,200MW, at Creys-Malville in southern France.

The basic objective has been achieved. Oil and coal are hardly used any more for electricity generation. Last year nuclear and hydro accounted for 75 per cent and 21 per cent of EDF's 342bn kwh electricity production. Electricity now accounts for 37 per cent of domestic energy consumption and around half the needs of industry and households. French has reduced its dependence on energy imports to around 50 per cent from more than 75 per cent at the time of the first energy crisis.

While other countries have cut back their nuclear projects, the French have pushed ahead unperturbed. The Socialists envisaged a construction freeze in 1981, but thought better of it once they were in power. Further nuclear plants seemed necessary if France was to achieve the high growth they had promised.

As it turned out that growth was never achieved and EDF might have been better off with a freeze. For it is now reckoned that between seven and 10 plants were ordered which will not be needed and that EDF will face an electricity surplus of around 15,000 kwh a year throughout most of the 1990s.

So instead of developing nuclear to meet electricity needs, EDF is having to create electricity demand to use up this spare capacity. It is doing so by wooing industrial and household customers with advantageous rates in off-peak periods, by exporting electricity and by special deals with leading industries.

Meanwhile, the whole reprocessing strategy has been called into question by delays in the development of the commercial fast reactor. This technology remains much more expensive than conventional nuclear, no shortage of uranium is expected for decades and after Three Mile Island and Chernobyl governments hesitate to push ahead with this more advanced form of nuclear power.

With virtually no fast reactor capacity to feed, EDF is having to burn plutonium in its conventional reactors. No further domestic conventional orders are expected for at least two years, virtually no tenders are available abroad and there is no immediate prospect of another fast reactor being built.

The situation is becoming critical. The company worst affected is Framatome. This year will be a little exceptional in that sales will nearly double to FFr 19bn because of an FFr 8.4bn payment received for Superphenix and the delivery of three plants. But then the company will only have seven reactors to complete (two for export) in a four-year period.

Framatome has responded by diversifying into non-nuclear sectors like military equipment, by teaming up with Siemens' nuclear subsidiary KWU when bidding for export orders and by making the most of maintenance possibilities.

French industry is trying to hold out until the first significant replacement orders come through in the late 1990s. However, only if nuclear construction programmes are resumed worldwide will French industry be able to reap the benefits of 20 years of investment. But that can depend as much on whether there is another Chernobyl as on the price of oil.

Michael Parrott

JAPAN

Stung by Chernobyl's political fall-out

IN AOMORI Prefecture in northern Japan bulldozers have begun to level land for the most ambitious and controversial nuclear industry centre on which the country has embarked. At Rokkasho, large facilities are planned to enrich uranium for nuclear fuel, to reprocess spent fuel, and to permanently entomb wastes.

Rokkasho was once earmarked for oil industry development but this was abandoned in the 1970s, leaving only the national oil stockpile in a farm of some 400 tanks. It was re-assigned for the nuclear role in 1984.

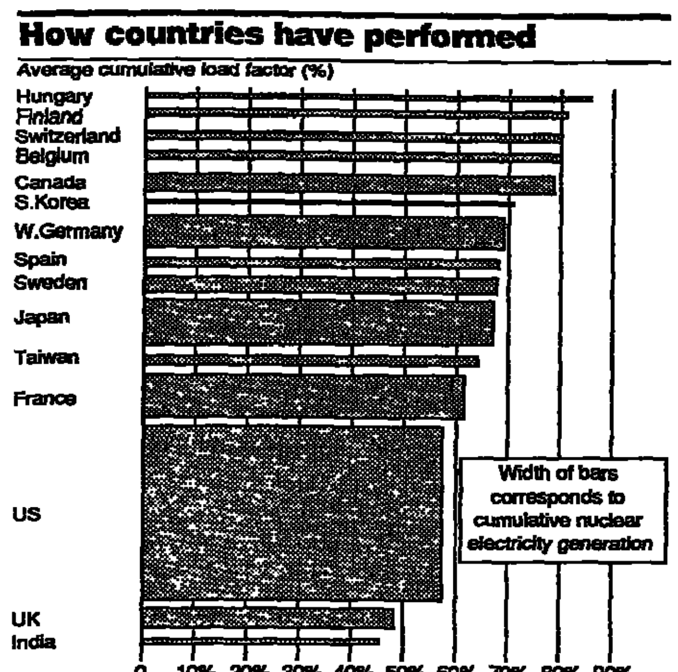
For the government, Rokkasho is a vital step in securing future energy supplies for a nation almost bereft of natural fuel. Although Japan is getting about 34 per cent of its electricity from nuclear fuel – and expects this to grow to 45 per cent by the turn of the century – it is wholly dependent on other nations for vital nuclear fuel services. Enrichment is being bought from the US (80 per cent) and France; reprocessing from Britain (50 per cent) and France.

For Aomori Prefecture, the centre spells new prosperity for an impoverished rural community. Rokkasho village itself is a tumbledown ribbon development, the most conspicuous feature of which seems to be the used car dump.

For opponents of nuclear power, the centre is a project that must be prevented because its facilities will help immeasurably to perpetuate nuclear power in Japan. It will provide plutonium fuel for the fast reactors foreseen by government as a commercial energy system early in the 21st century.

For the past year opponents have been organising protest meetings and marches, culminating in a day of protest in Aomori City, the prefecture's capital, about 100 km from Rokkasho, to greet receipt by the government this spring of the safety case for the reprocessing plant. Proponents expect the government to take two years studing their case before they can expect the green light, in 1991.

How countries have performed



Source: Nuclear Engineering International, June 1989

A decade of steady progress in building up nuclear capacity and public confidence in it appears to have lulled Japanese proponents of nuclear power into a belief that they were largely unopposed. The privately-owned electricity companies, which are not restricted to building reactors within the area they serve, simply avoided the more sensitive south with its memories of nuclear events at Hiroshima and Nagasaki. No fall-out from the Chernobyl explosion three years ago reached Japan to rekindle those fears.

But last year Japan began to experience what proponents are calling a "delayed Chernobyl reaction" – a sudden upsurge in opposition, nationwide, but particularly focused on the Rokkasho project. One nuclear industry executive claims confidently that it "arrived by sea" – that it is an imported protest.

Mr Masaya Kitamura, governor of Aomori Prefecture – about 1.25m people – is a fervent supporter who sees nuclear power bringing greater prosperity to a region best-known for providing half of Japan's apple harvest.

Nuclear industry investment is only part of the plans for bringing modern industry to the region. But Mr Kitamura says he has satisfied himself that it is safe.

People in the vicinity of Rokkasho are also convinced, he says. Under a national plan for electricity development, not exclusive to nuclear projects, a total of 15 nearby towns and villages will benefit directly from a fund set up by the electricity companies.

Over eight years these communities – embracing some 300,000 people – will receive a bounty totalling Y37bn ($26.28). In addition, the two nuclear fuel companies involved at Rokkasho have set up a Y10bn trust, investment income from which will be used to improve amenities.

Mr Kitamura says his biggest problem in confronting opponents is their inflexibility. Nevertheless, he admits their arguments are finding sympathy among his constituents. Farmers have recently united in opposition to the government in general and to nuclear power in particular. They are telling housewives the food Japan imports from Europe is contaminated with radioactive fall-out from Chernobyl. People are also swayed by such arguments as the risk to Japan from Chernobyl-like accidents offshore and downwind, in reactors owned by neighbouring nations the Japanese have traditionally considered inferior, such as South Korea, Taiwan and the Philippines.

Early this year an accident in a Japanese reactor added substance to speculation. No radiation was released but the accident had features that are still causing public disquiet.

At the turn of the year, within hours of a scheduled shutdown, Fukushima II-3, a 1,100MW boiling water reactor of Tokyo Electric Power Company (Tepco), shed a 2.4 kg hunk of steel. It dropped into the impeller of one of its coolant pumps and was ground to dust. The stress this imposed snapped a big bolt which choked a coolant nozzle.

The operators detected aberrant behaviour but were reluctant to "scram" – shut down prematurely – or even to report it to higher authority. It took a month for the accident to become public knowledge, for reasons Tepco found hard to explain.

Japan is wholly dependent on other nations for vital nuclear fuel services

"Financially, it is big damage," says Mr Ryo Ikegame, managing director of Tepco's nuclear power administration. As part of efforts to try to reassure people about reactor safety, Tepco has undertaken to strip the reactor and clean up any traces of mangled pump. "It's not the only one, but it's the biggest problem we have now," he says ruefully.

Tepco is Japan's biggest nuclear operator with 11 reactors on-line and four being built. It is proud of its low rate of scrams, only one every two years. The US has 10 times this rate and it has been even higher, says Mr Ikegame. Such considerations may have influenced his operators in trying to keep a faulty reactor running.

The stricken reactor is also one of Japan's newest, and one of the fastest to be constructed. These factors are also exercising Tepco management at a time when it is planning to build the world's first advanced boiling water reactor (ABWR).

The ABWR is a project on which Tepco has worked for a decade with the US's General Electric. It is expected to produce power about 20 per cent more cheaply than its best performing plant today. Tepco applied for a construction permit last year. If the nuclear inspectors approve, it plans to start building in 1991.

According to Mr Katsua Tomono, Tepco's construction manager, these plants will be built in 48 months – at least five months faster than the best Japan has done yet. For comparison, Britain's Central Electricity Generating Board is scheduling at least 72 months for construction of new reactors.

Rokkasho's plants are also scheduled for fast construction. First is the enrichment facility, planned by Japan Nuclear Fuel Industries Company, a federation of electricity, finance and manufacturing groups. For Mr Hisashi Kaneda, director responsible for enrichment, the severity of safety criteria is a feature of all Japanese nuclear planning. Because of its associations with nuclear weapons – the Hiroshima atomic bomb used enriched uranium – the nuclear inspectors spent 15 months studying his safety case.

He won approval last autumn to build a facility of 1,500 tonne annual capacity at the rate of 150 tonnes a year. His first centrifuges are due for delivery this year.

Another federation of electricity, manufacturing and finance groups called the Japan Nuclear Fuel Service Company is responsible for the reprocessing project. Its safety case for a facility to treat 800 tonnes of spent fuel annually was submitted on March 30.

Unlike the enrichment plant, a public inquiry will probably be required before he gets approval, says Mr. Masatoshi Toyota, the president of the federation. But unlike British public inquiries, he expects it to last only a day or two.

Currently, France and Britain have lucrative contracts for reprocessing all Japanese fuel. But a desire for domestic energy security has encouraged the electricity companies to fund facilities for part of their future needs.

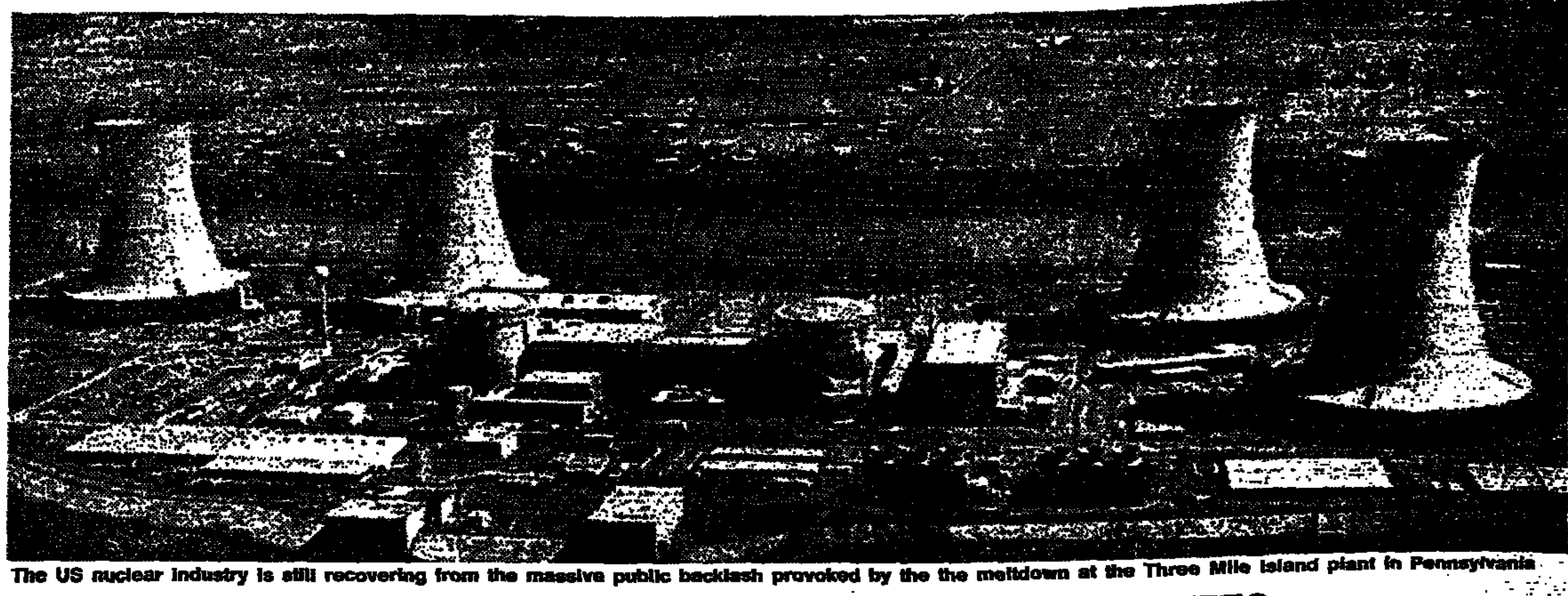
That does not mean Japan will necessarily be renewing contracts with Cogema and British Nuclear Fuels, however. More stringent safety requirements for reprocessing and the management of radioactive wastes have forced up European reprocessing prices sharply in the 1980s, and the Japanese had signed cost-plus contracts.

The European companies hint that they will be able to cut prices dramatically – perhaps by between 40 and 50 per cent – for the second decade of operations, when the plant investment will largely be amortised. But the Japanese utilities point to the cost of transporting spent fuel to Europe and bringing back highly radioactive waste – also scheduled for safe-keeping at Rokkasho – as well as the separated plutonium.

Mr Toyota says he personally believes Japan may get better value by storing its spent fuel for a few decades. "We have nothing to lose by storing and after 30 years the cost of reprocessing may be lower."

On the other hand, any public acknowledgement that the Japanese electricity companies are cooling in their enthusiasm for reprocessing will give fresh ammunition for opponents of Rokkasho. To win and sustain public acceptance of his reprocessing project, Mr Toyota believes Japan must continue to reprocess perhaps half its spent fuel, either at home or overseas.

David Fishlock



The US nuclear industry is still recovering from the massive public backlash provoked by the the meltdown at the Three Mile Island plant in Pennsylvania

UNITED STATES

A slow turnaround

A DECADE after the Three Mile Island meltdown, the US nuclear power industry believes the tides of economics and public opinion are beginning to turn in its favour again.

Few people in the industry predict it can land soon its first new plant order since 1978. But manufacturers, operators and government are working vigorously on regulatory overhaul which could help trigger an order within the next five years.

Design work on the next generation of reactors continues and the manufacturing base has remained largely intact despite the dearth of new construction. General Electric and Westinghouse, for example, have carved out businesses servicing existing plants and finding ways to extend their lives.

The 1979 disaster at the Three Mile Island plant in Pennsylvania wrought havoc with the industry. A public backlash and massive regulatory changes dramatically worsened the economic and political picture, forcing utilities to cancel orders for more than 100 plants.

All 112 nuclear power plants operating today in the US (representing 27 per cent of the total worldwide) were ordered before 1974. They now provide now almost 20 per cent of US electric power compared with 11 per cent then. A total of 11 plants are still under construction with the last due for completion by 1991. Technically speaking, two more remain on order for Commonwealth Edison but the Chicago utility has still not applied for a construction licence.

The industry argues, however, that pressure is building for utilities to accelerate construction of new generating capacity. Economic and environmental factors will dictate a resumption of nuclear power plant building, it believes.

Utilities like to keep their total generating capacity at least 17 per cent above average demand to ensure reliable service during unusual weather, breakdowns and shutdowns for maintenance. From a recent peak of 30 per cent spare capacity in 1982, the power industry has fallen to about 19 per cent today and will drop below its comfort level as early as next year, according to the US Council on Energy Awareness, a nuclear power lobby group.

The situation is worse in the north-eastern states where the capacity margin is already down to the low teens. New England dropped to 2 per cent during peak times last year and reduced voltage is expected along the eastern seaboard this summer.

On current trends, utilities will need to build up to 100 gigawatts of new capacity over the next decade, equal to some 200 new coal-fired plants or 100 nuclear, the council forecasts.

Concerned by deteriorating air quality and the greenhouse effect, more members of the public are changing their attitude to nuclear power. They are unenthusiastic but realistic supporters. Some 80 per cent of those surveyed earlier this year said they believed nuclear energy was important to meeting US energy demand in the years ahead, according to a poll taken for the council.

Economics remain a hurdle for nuclear power but high costs relate largely to the very slow two-stage regulatory process, first for approval to build a plant and then to operate it. Thus interest costs can range from a half to two-thirds of the total project cost when it takes more than 10 or 12 years to build and licence a plant.

The Three Mile Island disaster wrought havoc with the industry

The process is so slow for two main reasons. First, manufacturers and owners have been turning out custom made plants, designing only one small part at a time to accommodate regulatory changes. Second, the two-stage process has allowed opponents to plants to long delay the granting of operating licences.

The two most highly publicised examples were Shoreham, on Long Island east of New York City, and Seabrook on the New Hampshire coast north of Boston. Both plants were held up for years because local authorities refused to co-operate in drawing up emergency evacuation plans.

Former President Ronald Reagan broke the impasse by giving federal authorities the power to draw up the plans. The two plants subsequently won low-power testing licences, although Shoreham is almost certain to be abandoned under an agreement between its owner and New York State.

In April, the Nuclear Regulatory Commission, the main Washington watchdog, unveiled plans to fundamentally overhaul the regulatory process into a one-step procedure. The plans are before Congress where a long fight of uncertain outcome is expected.

The NRC's idea is to drastically reduce the time and uncertainty by giving all necessary approvals before plant construction begins. The industry for its part has agreed to complete plans for virtually standard designs so regulators have a basis for granting approval.

"The licensing system, which was devised in the early 1950s, has proven unworkable in the 1980s and unsuitable for the 1990s," the industry said in a briefing paper to Congress this spring. It was the biggest stumbling block to new plant construction, it added.

Greater reliability is also helping to improve the case for nuclear power plants. The number of unplanned automatic shutdowns fell from an average of 7.4 per plant in 1980 to 2.7 in 1987. The industry's output was only 58 per cent of its design capacity in 1980 but rose to 65 per cent in 1988.

Some plants have remained so unreliable, though, that their customers have despaired. In Sacramento, the California state capital, voters were so frustrated that in a referendum in June they voted in favour of ordering the municipal-owned nuclear power to close down permanently, which it did 24 hours later.

Anti-nuclear lobbyists have also been pointing out that key components of many nuclear plants are wearing out far quicker than expected. Complex and costly replacement of significant radioactive parts have dogged some plants. At Indian Point 3 near New York City, for instance, steam generators which were supposed to have lasted the 40-year life of the plant have been replaced.

Manufacturers and operators say they are constantly learning how to extend the lives of components and plants. They are benefiting from cumulative operating experience, a high degree of information sharing instigated after Three Mile Island and new developments in technology.

None the less, the nuclear power industry is confronting a disturbing fact as the average age of its plants rises. The operating and maintenance costs of nuclear power plants now exceeds those of coal powered plants, according to the Utility Data Institute.

Nuclear power advocates had always argued it was only the capital cost of plants which were high, a disadvantage offset by operating costs lower than those for other fuels.

Although, the economic and political environment is looking more promising for nuclear power, the industry must still overcome such considerable hurdles. Utilities, deeply shaken by their experience with nuclear power in the 1980s, are still a long way from ordering their next nuclear plant.

Roderick Oram

WEST GERMANY

Dashed dreams

THE West German nuclear industry is looking back at a year of dashed illusions. After completion of nuclear power stations ordered over the past decade, the nuclear sector is now preparing for a period of inevitable slimming.

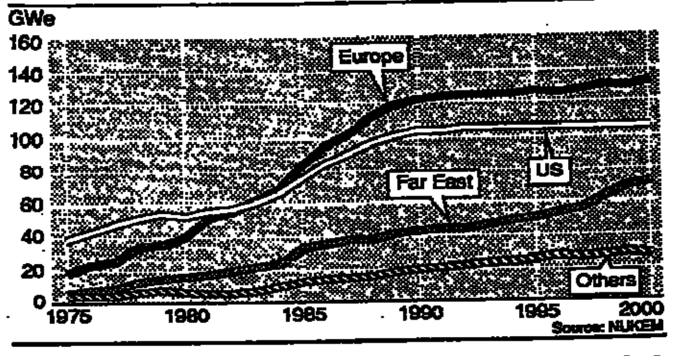
The last two of the three "convoy" pressurised water reactors – at Emsland and Neckarwestheim – went on stream during 1988, taking Bonn's tally of completed commercial-sized nuclear plants to 22. Atomic power accounted for nearly 40 per cent of electricity generation in 1988, against 37 per cent in 1987.

Installed nuclear capacity is now around 24,000MW. But it is unlikely to grow further until the 21st century and may well shrink over the next decade if the movement towards a nuclear *Ausstieg* (exit) gathers fresh pace.

The scaling down of West Germany's nuclear ambitions is reflected in the once-feasible target of 45,000MW of nuclear capacity to be installed by 1985. The goal was set by the Social Democrat government in 1974 – but swiftly moved beyond the bounds of reality. The SPD now pledges a 10-year phasing out of nuclear power if it returns to government. The ruling centre-right coalition has also become considerably nuclear-minded following the Chernobyl disaster in 1986.

Although all countries have been forced to tone down nuclear plans, the reversal in West Germany has been particularly dramatic.

Development of nuclear power in the Western world



The most spectacular example of Germany's bid to catch up its lag in nuclear technology with the US, Britain and France was the plan to build a commercial-size re-processing plant at Wackersdorf in eastern Bavaria.

The project was contested for years by the anti-atomic lobby and was the scene of countless demonstrations. In view of rapidly-rising costs and the fading value of the product to be extracted from the plant – plutonium – Wackersdorf has looked a white elephant for several years.

The Bonn government this year finally admitted the venture no longer made economic or political sense. Wackersdorf, which has cost DM10bn to complete, was formally abandoned in June after DM2.6bn had already been spent.

The Bavarian state government, which under its late prime minister, Mr Franz Josef Strauss, firmly supported the project, seemed in the end almost pleased to watch its demise. Siemens, the electrical giant which owns the country's prime power station builder, Kraftwerk Union (KWU), plans to use the site for a plant to produce solar energy cells. Bavaria, meanwhile, is holding out for compensation from the electric utilities backing the re-processing project.

Rather than send spent fuel rods to Wackersdorf, the utilities will be continuing their practice since 1976 of despatching burnt uranium to the French re-processing complex at La Hague, on the Normandy coast. The French nuclear fuels concern, Cogema, is offering a price for re-processing from the end-1990s onwards which is about one-third the prospective price of Wackersdorf.

It is only a matter of time before the roughly DM8bn fast-breeder reactor at Kalkar, on the Lower Rhine, is also formally abandoned. The almost-completed plant looks likely to become one of the world's most expensive technological ruins as a result of a row over safety with the North Rhine Westphalia government.

The experimental high-temperature reactor at Hamm-Uentrop will also be closed down over the next few years because of financial problems and controversy over safety. The small re-processing plant at Karlsruhe, which has separated more than one tonne of plutonium since 1971, is also coming to the end of its life.

Faced with the lack of follow-up orders, the industry is inevitably retrenching. KWU is now fully under the wing of the Siemens group. It intends co-operation with Framatome, of France, and is also pooling forces in the high-temperature reactor area with Asea Brown Boveri – where hopes are still glimmering of orders from the Soviet Union.

France, meanwhile, is hoping to exploit the *Ausstieg* mood by exporting its cheap, surplus, nuclear-generated electricity under the Rhine to the Federal Republic. Paris is making plain that it expects West Germany to open up to electricity imports as part of future energy co-operation.

Even though the German nuclear industry has learnt to live with disillusion, the Bonn government has by no means seen the end of nuclear controversy.

David Marsh

ARGENTINA

Peron's troubled legacy

LIKE SO much of the state structure of contemporary Argentina, its nuclear industry is a legacy of one man, General Juan Peron. Equally, like so much else he left behind, it is going through hard times.

In principle Argentina has the potential to develop into a leading nuclear power. It mines its own uranium in Mendoza province, has large areas of under-developed land where testing and research can be safely carried out, and both natural and technical resources in plenty. But its nuclear story to date is one of relative failure, due to a combination of over-ambitious aims and a lack of strategic financial planning to support those aims.

As President, Peron established the Argentine Atomic Energy Commission (CNEA) in 1950; its first nuclear power reactor, Atucha I, (built by Kraftwerk Union, KWU, of West Germany) came on stream in 1974. The CNEA remains today under the direct control of the President.

Under President Raul Alfonsin, Argentina refused to sign the Nuclear Non-Proliferation Treaty (NPT) while nevertheless respecting the International Atomic Energy Organisation's regulations concerning the non-proliferation of nuclear weapons.

Argentina's commercial interests in developing its nuclear industry take three forms: as a provider of domestic energy; as a possible site for storage of nuclear waste from other countries; and as an exporter of nuclear-related technology to third parties such as Peru and Algeria or to Iran and Turkey (the latter two nations already having signed nuclear co-operation treaties with Argentina).

In March 1987, Enace, a 75 per cent state-owned company with a 25 per cent stake held by KWU, unveiled the first all-Argentine design for a nuclear power station. Called the Argos PHWR 380, it is aimed at both domestic and foreign markets, with a 380MW capacity.

But domestically Argentina's own nuclear power stations have run into constant trouble. Failure to meet construction deadlines, increasing costs and frequent closures of stations due to running problems mean that the programme's aim of producing 15 per cent of the national energy need is generally astray.

Argentina has two nuclear power stations operating. Atucha I near Buenos Aires has a 350MW capacity. The second reactor (a Canadian Candu design 600MW) began operating in 1983, at Embalse, in the province of Cordoba, having exceeded its projected cost of $250m by four times.

In principle Argentina has the potential to develop into a leading nuclear power. But its story to date is one of relative failure

Both have frequently been out of service in recent years; in April 1988 Atucha I suffered an accident in which 15 tonnes of heavy water escaped into the reactor. The authorities denied radioactive material had escaped into the atmosphere. But safety standards continue to give cause for concern both at Atucha I and Embalse.

A third reactor, Atucha II, under construction at Zarate in the province of Buenos Aires (by the River Plate), is due to come into service in 1993, six years behind schedule. With a 740MW capacity, Atucha II is another KWU-assisted project, though work on it is currently stalled for lack of finance. An estimated $1bn is required to complete the plant, some of which may eventually come from West German-financed loans. Its total cost will then be in the region of $5bn.

Plans to build a heavy water production plant at Arroyito, again in Cordoba province, have also run adrift due to financing problems. Intended to produce 200-250 tonnes of heavy water annually, the plant is being built by Sulzer Brothers of Switzerland. Construction started in 1981 and was due for completion in 1988.

Argentina has also had plans since 1977 to develop itself as a site for dumping of nuclear waste, at Gastre, in the Patagonian province of Chubut, one of the country's most sparsely-populated areas. While this has yet to be officially approved, there are suspicions that the intention may be given extra impetus now that a Peronist president is once again in office. In 1984 the Peronist party formally proposed that such plans be given the go-ahead.

While it is believed that Argentina has the long-term capacity to produce nuclear weapons, most observers are agreed that it is some years away from being in a position to develop such weapons. There are suspicions that under a Peronist government dreams of Argentina having its own nuclear capability might once more re-surface – even though the new head of the CNEA is long standing technician, Mr Manuel Mondino.

The Argentine navy has long yearned for nuclear submarine capacity; the lack of nuclear-powered submarines proved costly to Argentina during its conflict with Britain in 1982 over the Falkland Islands in the South Atlantic.

A uranium re-processing plant at Ezeiza, some 100 km north of Buenos Aires, is currently under construction. It will take spent fuel from Argentina's reactors and separate not only uranium but plutonium, a potential explosive for nuclear weapons.

Before he was elected President Mr Menem stated firmly that his future arms policy would be simple: the manufacture, sale and purchase of whatever arms Argentina needs to defend its interests.

Gary Mead

John Barham on Brazil's disappointing nuclear programme

No light at the tunnel's end

BRAZIL'S nuclear energy programme has generated little heat and barely a glimmer of light. The country has only one temperamental Westinghouse reactor to show for the $6bn-$8bn invested in nuclear energy and, as a means of complementing vast hydroelectric resources, the nuclear industry has been a humiliating and costly failure.

Crippling financial difficulties have forced the government to virtually abandon its 1975 nuclear agreement with West Germany which envisaged the construction of eight nuclear power plants at the beach resort of Angra dos Reis, 90 miles south of Rio de Janeiro, and at an equally beautiful inlet 100 miles south of São Paulo.

At the same time, the shadowy military-controlled 'parallel' nuclear programme has made progress in dominating the nuclear cycle. The continued existence of this parallel programme under the civilian government of President Jose Sarney has led to a widespread belief that the military foster the illusion of possessing their own nuclear weapons. Denials have not allayed doubts. The air force insists on building a rocket system, ostensibly to place civilian satellites in orbit and the navy has built a nuclear propulsion centre near São Paulo to develop a submarine reactor.

A clause in Brazil's constitution forswearing the military use of atomic energy has not blunted criticism, mainly because Brasilia still refuses to sign the Nuclear Non-Proliferation Treaty.

Brazil claims it needs nuclear power to avert an energy crisis expected to emerge within the next two decades. But Professor Jose Goldberg, rector of the University of São Paulo and a respected nuclear physicist, says electricity generated by nuclear power costs $3,000 per kilowatt installed, compared with $1,200 for the gigantic Itaipu dam. He adds that the much feared energy crisis can be defused by improving efficiency in distribution systems and encouraging energy conservation.

Brazil's first commercial nuclear plant, a turnkey Westinghouse reactor, has been dubbed the glow-worm: by one account the 626MW Angra I station has been closed down 25 times since it came on stream in 1983, six years late, and was built six times over budget at $1.8bn. In desperation, the government filed suit in a New York court in 1987 to recover some of the costs from its manufacturers. Since then, the Angra dos Reis site has been found to be subject to mild earth tremors, registering below four on the Richter scale.

Crippling financial difficulties have forced the Government to virtually abandon its 1975 nuclear agreement with West Germany

Work drags on at a slower and slower pace at the two German units to survive dozens of rounds of budget cuts. In mid-June, Nuclen, the government-owned civil engineering company overseeing work at the Angra building site, announced it was breaking up construction tenders into smaller chunks. It will award contracts for each construction phase as money from the government becomes available.

Last August, the government decided to dismantle Nucle Bras, the state nuclear power company. It transferred responsibility for running the nuclear stations to Eletrabras, the state electricity company. The government spun-off Nucle Bras's industrial and mining activities to a new company, Industrias Nucleares Brasileiras (INB), which it hoped would attract private investors.

The World Bank promptly suspended disbursement of a $1bn loan to the electricity sector because it was afraid the money would be used to shore up the nuclear programme. The Bank's position forced private lenders and the Japanese government to suspend $800m of co-financing loans as well. The frozen $5m balance has become a source of irritation in Brazil's tense relationship with its foreign creditors.

Under the terms of the West German nuclear accord, a consortium of companies led by Kraftwerk Union (KWU) were due to have the first plant, Angra II, with a capacity of 1,245MW, operational in 1983. However, it looks unlikely to come on stream before 1994. The cost so far is reportedly $2.3bn with a further $1.2bn to complete.

Even though work on the 1,245MW Angra III unit has hardly begun, 85 per cent of its German-built equipment is ready. There are fears that the long delays and poor storage conditions have damaged the equipment. Budgeted at $1.55bn, Angra III, if ever completed, could cost $2.6bn.

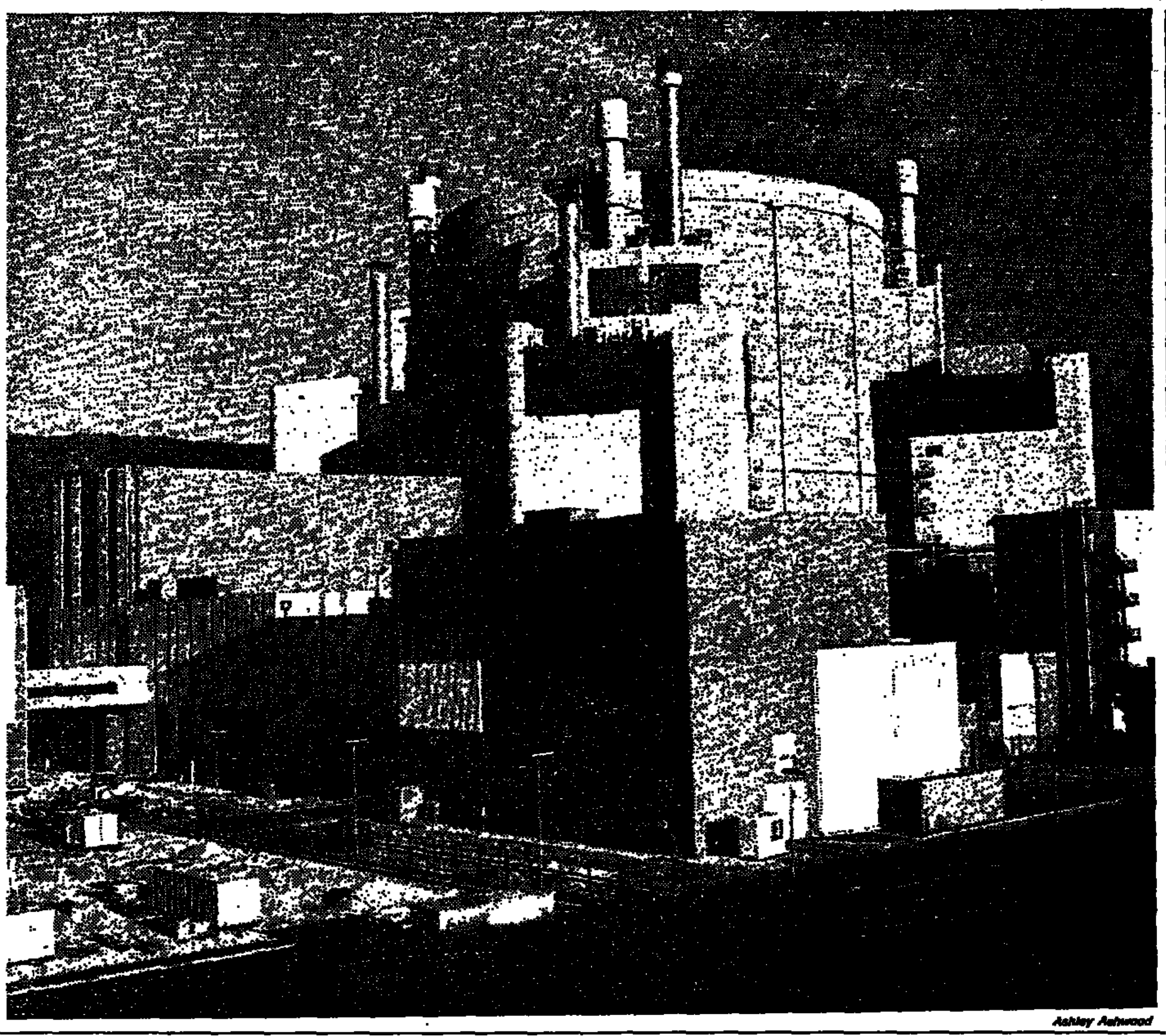
Parallel to the 'official' nuclear programme, the military have been running one of their own. The military (plus many civilian nuclear scientists) realising their US and German accords prevented them from dominating the nuclear cycle, decided to go it alone like the Argentines.

According to Mr Rex Nazare Alves, head of Brazil's National Nuclear Energy Commission (CNEN), the 'parallel' programme began in March 1979. Under the aegis of the navy, the programme was created to enrich uranium using independently designed gas centrifuge technology. In September 1987, an overjoyed President Sarney announced that Brazil had mastered the cycle, enabling it to enrich uranium outside international controls. The navy hopes that these advances will enable Brazil by 2000 to produce a nuclear powered submarine.

On other military uses of this technology, Admiral Maximian da Fonseca a former navy minister, said in 1987: "I would applaud the day Brazil explodes an atomic bomb." However, President Sarney and President Raoul Alfonsin of Argentina have promised each other not to develop nuclear arms. Both have paid visits to each other's military research bases and exchanged symbolic nuclear co-operation accords.

Brazil's nuclear capability will become fully credible if it can develop a delivery vehicle. However, the air force's 'satellite launch vehicle' (VLS) project, which could be adapted as a nuclear tipped ballistic missile, faces budgetary limits. A prototype of the VLS rocket was to be ready this year, but has been postponed, probably until 1992. Overall the programme suffers from trying to satisfy too many interest groups – the navy wants submarines, the businessmen want contracts and the scientists want research projects.

France's SuperPhenix nuclear power station: no country has pursued the nuclear option with such determination as France. Yet just when it has virtually completed its equipment programme, *it finds itself facing fresh problems.* Oil prices have slumped and confidence in nuclear has been shaken by Chernobyl. France now faces a big electricity surplus



Ashley Ashwood

SWEDEN

Increased pressure for an early phase-out

THE Swedish Government is being pulled in opposite directions over the nuclear power issue, which theoretically was settled in 1980 when a national referendum approved the abolition of atomic plants by 2010.

Responding to growing environmental sentiment in the run-up to last September's elections, *the Social Democratic* government announced it would accelerate the nuclear phase-out by closing dawn two of the country's 12 reactors in 1995-96.

Political pressure for an early shutdown has not eased. The parties that made the biggest gains at last year's polls – the Greens, the Communists and the agrarian Centre – are strongly anti-nuclear and the minority Socialist Government *is dependent* on their parliamentary support.

But the government is also *facing criticism from* industry and the trade unions, which fear that Sweden can not afford to abandon nuclear since it generates about half of the country's electricity and provides a cheap source of energy for the country's main exporters.

Their doubts have been strengthened by estimates from state energy officials that it will cost as much as Skr 100bn to dismantle and replace the nuclear stations, doubling *electricity prices in the process* and possibly leading to the loss of 60,000 jobs. The government *disputes these figures.*

There are few alternatives to nuclear power. Sweden has reached *the limit* in exploiting hydroelectric power, which provides the other half of the country's electricity generation, since the few remaining undammed rivers are protected for their scenic beauty. Oil and coal-fired plants are a doubtful replacement since their emissions would exceed Sweden's stiff air pollution levels.

Vattenfall, the state power board, believes the best solution would be gas-fired plants, *combined with stringent* energy conservation efforts and a marginal contribution from *solar* and wind power. But Vattenfall warns that the gas-fired plants would be twice as expensive to operate as nuclear ones.

The board highlighted the problem earlier this year when it estimated that it would cost Skr 13bn to replace the first two nuclear reactors in the mid-1990s. This would drive up electricity prices by 40 per cent within the next decade, it said. In addition, the gas-fired plants pose a potential environmental *problem with their leakage of* methane gas.

Questions have also been *raised as to whether there is* enough time or money to introduce natural gas on such a massive scale in Sweden, including the construction of pipelines from Norway and the *Soviet Union, before the* nuclear plants are completely dismantled.

Climbing electricity prices would hit hardest such energy-intensive industries as pulp and paper, iron mining, chemicals and steel works which are among Sweden's leading exporters. These industries are already facing higher costs as a result of the government's environmental clean-up programme which has introduced, among others, fines for the discharge of pollutants, and increased taxes on oil and electricity to encourage energy *conservation and fund alternative* energy research.

But while these industries *must worry about rising* energy costs harming their overseas competitiveness, they *also fear* that there will be not enough energy in a non-nuclear Sweden.

The parties that made the biggest gains at last year's polls — the Greens, the Communists and the agrarian Centre — are strongly anti-nuclear and the minority Socialist Government is dependent on their support

Based on present trends, electricity demand is expected to rise from 130 terawatt (million million) hours *this* year to 193 TWh in 2010, the end of the nuclear phase-out period; Sweden's current electricity production capacity is around 150 TWh. The closedown of two reactors at Ringhals and Barseback in the mid-1990s would deprive Sweden of 10 TWh generating capacity, thus eliminating its reserves.

Vattenfall argues that the only feasible solution to a potential electricity shortage is *to reduce consumption* rather than adding capacity. It expects that a 50 per cent hike in *electricity prices would limit* annual demand to 139.5 TWh by 2010. The adoption of efficient energy-consuming technologies that are currently available would reduce demand to *110.9 TWh*, while the introduction of energy-saving technologies now in the planning or development stage would keep demand within a range of between 88 TWh and 96 TWh a year by 2010.

Uncertainty over energy availability may accelerate the relocation of Swedish plants abroad. This is already occurring as Swedish companies build up production facilities within the European Community ahead of the elimination of internal trade barriers in 1992.

The Swedish forestry concern *Svenska Cellulosa* AB (SCA), the country's fourth biggest electricity consumer, recently *explained* that it was constructing a new paper factory in southern France because of the nearby presence of a nuclear plant

The prospect of factories closing in Sweden due to the abolition of nuclear energy is worrying the trade unions.

"It's all right to go out and say that we shall not have nuclear power or more hydropower or increased carbon dioxide emissions, but we should also talk about the political consequences this has on employment and other things," said Mr Stig Malm, chairman of the blue-collar trade union confederation LO in a veiled attack on the government's growing anti-nuclear stance.

The critical remarks by Mr Malm and other trade union leaders is posing a dilemma for the Social Democrats and widening the gulf within the party over the nuclear issue. It was the Social Democrats who promoted the construction of nuclear plants in the 1960s and 1970s and some sections of the party criticise the government's reversal under Birgitta *Dahl, Environment* and Energy Minister, as being politically short-sighted.

Most of the jobs that would be lost with a nuclear shutdown are located in Norrland, the Social Democrats' biggest electoral stronghold. Moreover, public opinion is swinging back in favour of nuclear power only three years after Chernobyl. One recent opinion poll found that 57 per cent would favour the continuation *of nuclear power* after 2010.

This reflects worries among homeowners that the abolition of nuclear power will dramatically increase their electricity bills. The public has also been reassured by the findings of a post-Chernobyl nuclear study commission which concluded that Sweden's lightwater reactors, three-fourths of which were built by ASEA-ATOM, had high safety standards.

The government's decision to shut the first two reactors in the mid-1990s may ironically doom plans for a full-scale phase-out. "I believe that the early shutdown can promote a positive attitude towards nuclear power," says SCA board chairman Mr Bo Rydin. "When all the negative consequences are shown, people will change their opinions."

Liberal *party* leader Mr Bengt Westerberg believes that questions about the environ*mental safety of alternatives to* nuclear power will make its abolition impossible. With the nuclear *debate heating* up again, it is possible that the Social Democrats will respond in their *time-honoured* manner and force a compromise that will leave some nuclear plants operating beyond the deadline date of 2010.

John Burton

CANADA

Spoilt on a rich diet of 'yellowcake'

CANADA is one of a handful of countries which can boast a fully integrated nuclear industry, from rich uranium mines at one extreme to electricity generating stations and further advanced applications at the other.

The country is comfortably the world's largest source of U3O8 or "yellowcake" – the semi-processed form in which most uranium is sold to consumers. It has also developed from scratch its own pressurised heavy water reactor, the Candu.

But neither scale nor technological prowess have spared Canada the problems which have plagued so much of the nuclear industry over the current decade. Depressed uranium prices and very low demand for new nuclear power reactors have pummelled the sector every bit as hard as its counterparts elsewhere.

Earlier this year, Cameco – the Saskatoon-based company which is the world's largest single uranium producer – laid off 170 staff and temporar*ily closed* a mine in response to low yellowcake prices. The group, whose output last year *amounted to some 15m* lbs of U3O8 equivalent to 16 per cent of the global total, is also reckoned *to be among the world's* lowest-cost producers.

Meanwhile, the government-owned *Atomic* Energy *of* Canada Ltd (AECL) is still awaiting its first Candu reactor sale overseas since 1981. The company is also having to cope with reduced levels of government funding. In the five years since 1983-84, parliamentary appropriations have fallen by virtually half. AECL has responded by drawing up plans for a smaller reactor – the Candu 3 – and by using its formidable research base to diversify into areas like engine sensors and robotics.

The company holds high *hopes for the Candu 3, which is* cheaper and should take considerably less time to build than its predecessor, *the* Candu 6. But its optimism has yet to translate into orders. Preliminary negotiations have been held with possible buyers in New Brunswick, Saskatchewan and South Korea. AECL believes that the size of the Candu 3 is well-matched to the needs of a range of utilities around the world.

With the industry so long in the doldrums, it is perhaps not surprising that an extensive *restructuring is currently* under way.

Cameco was formed only last October *through* the merger of federal government-owned Eldorado Nuclear and the provincially held Saskatchewan Mining Development Corporation (SMDC). The deal created an integrated uranium company of considerable *stature* in world terms.

The merger means that ore mined from the rich northern Saskatchewan mines can be passed through in-house refining and conversion facilities in Ontario. About 20 per cent of the material thus treated is converted into uranium diox*ide for use in Candu reactors.* The remainder is converted into uranium hexafluoride and *exported for enrichment.*

The company says it would like to see as much as possible *of its mine output* processed in *its own* downstream facilities. Under the terms of the merger, *60 per cent of Cameco* is to be transferred into private hands within four years.

Privatisation is also in vogue at AECL, where two former divisions have been spun off and re-christened in preparation for their sale to private buyers.

Nordion International, formerly Radiochemical, produces radioactive isotopes, such as cobalt-60, used in cancer treatment and food irradiation. Canada provides 80 per cent of world cobalt-60 supplies. Theratronics International, previously Medical Products, makes machinery and equipment used in radioactive medical treatments. Nordion, whose annual sales total about C$90m, is expected to be sold to a Canadian engineering company. Theratronics, with sales of about C$40m, may be bought by employees.

Having expressed its commitment to a continuing Canadian nuclear programme the government is trying to inculcate more co-operation between AECL and Ontario Hydro, the main operator of Candu plants, the better to exploit scarce sales opportunities *at home and abroad.*

Canada has not been spared the problems which have plagued the nuclear industry

Ontario Hydro operates 16 of the 20 Candu reactors currently up and running, the remaining four being situated in Quebec, New Brunswick, Argentina and South Korea. Four more units at Darlington, near Toronto, are due onstream at regular yearly intervals between 1989 and 1992. In 1987, nuclear-electric generation supplied 47.5 per cent of Ontario's electricity needs. The corresponding figure for the whole of Canada was about 15 per cent.

Unlike light water reactors, which function by using enriched fuel to raise the probability of fissile capture of neutrons, the Candu system employs natural uranium fuel and uses materials in the reactor core which minimise neutron absorption.

The Candu is heavy water moderated and cooled – a factor which adds substantially to its capital cost.

The Candu has consistently *maintained a superior operating* record compared with other reactor types, a fact which has been an immense source of pride to the domestic industry. This is largely because of the reactor's capacity for on-power refuelling. This is made possible by the housing of Candu fuel bundles in a large number of replaceable individual pressure tubes.

The adoption of the relatively complex pressure tube design has not come without its problems, however. Hopes that the pressure tube system *would last for the projected* 30-year life of the plant have been dashed by the closure for *retubing of two of Ontario* Hydro's Pickering reactors which commenced commercial operations in *1971. Ontario* Hydro has estimated the direct replacement and recommissioning cost at C$402m. Both units have now been restarted.

David Owen

NUCLEAR FUEL

Plentiful supplies

THE supply of fuel for power stations is one of the most assured sectors of the nuclear industry today. The nuclear power plants that are now supplying 16 per cent of the world's electricity will mostly require fuel for the next 30 to 40 years. Plants that are under construction and due to come on line during the next decade will ensure a modest growth of 20 per cent. The present annual value of the world nuclear fuel business is about $25bn.

All this would be encouraging were it not for the fact that the nuclear fuel market was expected to be very much larger in the 1970s when there appeared to be an obvious need for rapid expansion of nuclear power. As a result, very large investments were made in uranium exploration and capital intensive facilities for processing and fabrication of material into the high-tech fuel assemblies that are loaded into nuclear reactors. The actual market today has turned out to be only half the size of 1975 forecasts.

A feature of nuclear fuel is that a very small amount of it produces a large amount of electricity. Another feature is that it requires several stages of special processing and final fabrication into precisely engineered fuel assemblies.

These features have made possible an international market in which, for example, uranium could be mined in Australia, converted into uranium hexafluoride gas in the UK, enriched in the Soviet Union, fabricated into fuel assemblies in Sweden and 'burnt' in a reactor in Finland.

Each stage in the chain involves a sizable increment of added value. There is therefore lively competition among the international suppliers and equally active shopping around by utility customers both for prices and diversity of supply.

The uranium market has suffered most from the over supply situation in the past with spot prices sinking as low as $14 lb compared with a peak of $43 lb in the mid-1970s. But after many years of production exceeding the actual requirements of operating nuclear reactors, production fell below requirements in 1986 and the operators are now starting to draw down on stock-piles.

By the mid-1990s suppliers will be bringing in planned additional capacity and by the turn of the century they should be looking for new capacity.

There is currently more than 30 per cent over-capacity in uranium enrichment plants in the West. This is despite the closure of one of three large US gaseous diffusion plants in 1985 and cancellation of a similar-sized centrifuge project which together have halved the capacity that the US would otherwise have today. The two remaining US plants are operating at around 50 per cent

The market today is only half the size of 1975 forecasts

capacity and supplying 42 per cent of the western market.

In France, the Eurodif gaseous diffusion plant is doing better with about 75 per cent of its capacity used and a 36 per cent market share. Unlike the large blocks of gaseous diffusion capacity, centrifuge enrichment plants can be built up in modules to meet firm contractual requirements and therefore the three plants of the British-Dutch-German company Urenco are being operated at near full capacity to meet about 9 per cent of the market.

The other main supplier of enrichment services to the West is the Soviet Union. The capacity available here is unknown but they have been supplying around 13 per cent of the western market and, with pressure to earn foreign currency, they are seeking a bigger share of the market by offering lower prices.

Two new sources of enrichment services are now entering the picture: they are a centrifuge plant in Japan, which like Urenco will increase capacity in line with firm contracts; and China which has started to undertake enrichment contracts for western utilities at competitive prices. A newly announced joint venture between Urenco and a group of three US electric utilities is planning a new centrifuge plant which, it is claimed, will be capable of supplying 15 per cent of the US market by 1996.

Later in the decade the new technology of laser enrichment could become available in the US and France and may be used for special purposes such as re-enrichment of recycled uranium.

It is not difficult to see that the over-supply situation in uranium enrichment will persist until 2000. Fabrication workshops for the production of fuel assemblies are a little easier to set up than uranium mining and enrichment ventures and have therefore adapted better to the size of the market. Even so, most countries with nuclear power programmes have sought to establish domestic fabrication facilities and it is possible to identify 34 plants around the world that are producing fuel assemblies or have at some time produced them.

The main survivors in fuel fabrication are those companies that have been involved in the design and construction of reactors. The utilities tend to keep these suppliers on their toes by occasionally purchasing fuel reloads from the different manufacturers but on the whole the suppliers retain a base load of business which is directly related to the number of reactors that they, or their associates, have sold.

Simon Rippon

Reprocessing of spent fuel

Jury still undecided

SPENT nuclear fuel – often wrongly called nuclear waste, for it still contains almost as much energy as new fuel – can be managed in one of two ways. It can be chemically dissolved and its energy-rich elements recycled as fresh fuel; or it can be stored with a view to eventually sealing it in a repository as radioactive waste.

The jury is still out on the costs of each route, although recycling has the obvious merit – freely acknowledged for every other kind of fuel – of conserving and maximising use of a scarce natural resource. But whereas during the next few years the costs of reprocessing will harden, as new facilities enter service, it will probably be many years yet before the full cost of disposing of unreprocessed spent fuel is known for sure.

Undoubtedly, France has the greatest experience of any nation in recycling light water reactor fuel, having reprocessed more than 2,500 tonnes of uranium at Cogema's factory at La Hague. Cogema's UP2 reprocessing plant has doubled its throughput from 250 tonnes in 1983 to about 500 tonnes per year. Cogema's reprocessing experience is now being recycled into the final stages of commissioning the bigger UP3 reprocessing plant, scheduled to come on-stream at La Hague next year.

The West German electricity supply industry, as one of Cogema's biggest customers for reprocessing, recently demonstrated its confidence in this technology through its negotiations for a new facility at La Hague which it will own jointly, to meet part of the German reprocessing requirements well beyond 2000.

Since the early-1970s, France, West Germany and the UK have been exchanging experiences of the technology of reprocessing and associated radwaste management practices through a tripartite "club" known as United Reprocessors GmbH. URG comprises Cogema, DWK (the German reprocessing company) and British Nuclear Fuels. Through URG, BNFL obtained the French vitrification technology for highly radioactive waste liquors from reprocessing, coming on-stream next year at Sellafield, Cumbria.

BNFL is also building its thermal oxide reprocessing plant (Thorp) at Sellafield, as a 600 tonne-per-year facility expected in operation in 1992. Its receipt and storage sections are already preparing spent fuel for reprocessing. Construction is "going very well," says Mr Neville Chamberlain, BNFL's chief executive. He says it has stayed on schedule and to cost for the past three years, since a new management reappraised the programme.

The base load of reprocessing at Thorp, now uprated to 6,000 tonnes over its first decade, is already committed to the electricity utilities which are funding the £1.85bn construction with "up-front" cash payments. What happens beyond 2002, when the base load has been recycled, is now a matter of considerable commercial interest.

On the basis of current costs for base load reprocessing, some analyses have concluded that final disposal of unreprocessed fuel could be 30 per cent cheaper. The big uncertainty is that no-one yet knows for sure what a repository for unreprocessed spent fuel will cost.

In Sweden, where they have frequently extolled the virtues of storage over reprocessing, the Swedish Nuclear Fuel and Waste Management Company (SKB) plans to progress systematically through studies in its "hard rock laboratory" – starting in 1993 – to a preliminary safety report on a repository design around 2000.

BNFL says it has been talking to potential customers in terms of prices of between 40-50 per cent lower than base load prices, for what it calls post-base load reprocessing capacity in Thorp, for the 10-15 years beyond 2002. German electricity executives have scrutinised plans for Thorp and concluded that no expensive refurbishing should be necessary after the first decade to upset the projected costs.

On the basis of this confident declaration, BNFL is negotiating for 4,000 tonnes of German spent fuel for reprocessing after 2002, on terms that will also give it a share in the "downstream" business of making mixed-oxide (MOX) fuel containing plutonium as well as uranium from the unburnt fuel it recovers.

For the German electricity industry, with some 34 per cent of its electricity generated by nuclear power but facing rising costs for its own reprocessing facility at Wackersdorf, the attractions of buying capacity from BNFL and Cogema outweigh the difficulty of undertaking reprocessing at home for the foreseeable future. But the Germans want to remain members of URG, the reprocessing club. The day may come when reprocessing is politically acceptable in West Germany but not in the countries now undertaking it as a profitable service.

David Fishlock

WASTE MANAGEMENT

The search for a safe and sound burial site

EVER since a British newspaper proclaimed in 1975 that Windscale was likely to become the "nuclear dustbin" of the world, each country has been expected to deal with the final management of its own radioactive waste.

While this may not always be the ideal solution, especially for smaller countries, it has got most countries to face up to the fact that they must make the necessary provisions. Many national organisations have been set up or nominated to take responsibility for the management of radioactive waste. Thus we have names such as Nirex in the UK, Andra in France, SKB in Sweden, DWK and PTB in Germany, Ondraf in Belgium, Nagra in Switzerland, Cora in the Netherlands, Enresa in Spain and Nucleco in Spain.

More important, waste management programmes are being adequately funded. In some cases, such as Sweden, Spain and the US, a direct levy is charged on units of nuclear electricity generation. Others, such as the UK and Germany require the main producers of radioactive waste to own and fund the waste management organisations.

A huge amount of good technology exists for conditioning radioactive waste. The main problem is to get agreement on final storage and disposal strategies so that the most appropriate conditioning technology can be adopted. This is particularly the case for intermediate-level waste where decisions on conditioning plants have been delayed by the need to know exactly what will be acceptable in a final repository.

For high-level fission product wastes, a successful process for vitrification has been in operation at Marcoule in France since 1978 and commissioning of similar plants will be starting shortly at the large reprocessing centres of Sellafield in the UK and La Hague in France. A different vitrification process developed in Germany is also proving to be successful in a demonstration plant in Belgium where it is solidifying high-level waste from the former Eurochemic reprocessing plant.

Less well developed are processes for final conditioning of spent fuel in those countries which are choosing not to reprocess. The Swedes have, however, satisfied themselves that final disposal of spent fuel will be possible and Germany is planning a small pilot facility to demonstrate the direct disposal option.

In the US work is mainly directed towards developing the techniques for the interim storage of rapidly accumulating spent fuel. Various rod consolidation techniques have been developed for packing fuel assemblies into smaller volumes and several designs of dry storage casks have been approved for use as an alternative to storage under water at nuclear reactors.

There exists plenty of good technology for conditioning waste. The main problem is to get agreement on final storage and disposal strategies

For intermediate and low-level waste there are now many commercially available processes for volume reduction by compaction or incineration. Processes for incorporating these waste materials in cement or bitumen and overpacking for transport and storage, are also well developed.

Following a furore last year when traces of plutonium were found in some low-level waste returned to Germany after conditioning in a plant in Belgium, there are demands for tighter checks on the contents of waste containers. A variety of techniques – including systems as sophisticated as X-ray body scanners – are being proposed. But where is the waste finally going to reside?

Here again there is no shortage of good technical options for isolating different kinds of waste from the environment for as long as it takes for the radioactivity to decay. Extensive national and international research programmes have analysed the safety case for shallow or deep disposal in rock salt, granite and clay or on or below the deep ocean bed. Without exception the analyses indicate a dismissively small risk of any danger to present or future generations but with almost equal lack of exception the public is unconvinced.

Solid low-level waste is presently being accepted at three shallow land burial sites in the US, at one in the UK and one in France which also accepts short-lived, intermediate-level waste. Low and intermediate-level waste was deposited at a depth of 500m to 800m in the former Asse salt mine in Germany between 1964 and 1978.

An impressive new repository at a depth of 60m below the seabed of Sweden's Baltic coast started to receive low-level waste during the past year and will also be taking intermediate-level waste in the future.

Apart from these cases of repository operation, many plans are at the stage of prospective site investigations with a few, such as the former Konrad iron ore mine in Germany, having got as far as licensing applications. Work is also just starting on the construction of the first of two repositories in Finland for low and intermediate-level waste. For high-level waste it is generally accepted that it should be allowed to cool for 50 to 100 years in surface vaults or storage ponds before disposal in a deep geologically stable repository.

Even so, several countries are searching for prospective locations for high-level waste repositories and Germany and the US have chosen sites for detailed investigation. Exploratory shafts are already being sunk into a huge underground dome of salt at Gorlebenin, Germany and a repository could be built by 2000. After an amendment last year to its radioactive waste management act, the US is to concentrate its investigations on one prospective site at Yucca mountain in Nevada and is now hoping to have a repository available by 2003.

Simon Rippon

WORLD NUCLEAR INDUSTRIES 8

Fast reactors suffer from anti-nuclear sentiment but they boast safety features which could prevent a Chernobyl-type disaster

Commercial exploitation remains a distant reality

WHEN Mr Cecil Parkinson, UK Energy Secretary, announced a year ago that there was to be a large cutback in government funding for the fast reactor research and development programme, he said government expectation was that "commercial development of fast reactors in the UK will not now be required for 30 to 40 years."

Many in the nuclear industry accuse Mr Parkinson of picking numbers from the air, but the problem remains that it is almost impossible to predict when electric utilities will want to start buying this type of power plant on a commercial basis.

The fast reactor was from the outset developed for commercial purposes. When other thermal reactors, which had been developed for submarine propulsion and plutonium production, were turned to peaceful purposes they were seen as something of a stop gap before the eventual commercial introduction of much more efficient fast breeder reactors.

Discoveries of low-cost uranium in a fair abundance and the high capital cost of the fast reactor relative to the rapidly evolving light water reactors, changed this early perception. The eventual role of the fast breeder reactor, which can get 60 times as much energy out of uranium as thermal reactors, is still seen as very important.

The timing of its introduction is, however, determined by the rate of expansion of nuclear power programmes and this factor has pushed the prospects of commercial exploitation to the turn of the century for Europe and further into the future for the US. The 30 to 40 year perspective has grown out of the post-Chernobyl climate of opinion which has caused a further slow down in the expansion of nuclear power.

The fast reactor has several inherent safety features which would prevent a Chernobyl-type accident but it is still, rather unfairly, viewed as a system that is somehow more dangerous than other nuclear plants. Thus it suffers first from anti-nuclear sentiment.

A reversal of the nuclear policy of the Social Democrats in West Germany has led to an intractable position in Northrhine-Westphalia where the state government refuses to issue a license for start up of a completed prototype fast reactor. In Italy, following a referendum, the government has decreed that the country will *not participate in future* nuclear projects in other countries and this would seem to preclude participation in a European follow on to the SuperPhenix plant in which the Italians are one-third partners.

Governments in Belgium and the Netherlands have likewise ordered no further participation in the European fast reactor programme.

Despite these political problems, agreements were signed this year to endorse a 1984 memorandum of understanding on European fast reactor collaboration between research and development organisations in France, West Germany and the UK and between the industrial groups involved in fast reactor design work.

European utilities are also jointly funding work to produce a single design for a European Fast Reactor (EFR). This work, which will reconcile differences in detail between well developed conceptual designs, is due to be completed by 1993 at which time a decision will have to be *taken on* whether, where and when to build an actual power station.

What is clear is that all the technology for a large commercial fast reactor is *fully* developed and available. Valuable operating experience is being gained from the 1500 MWe SuperPhenix plant in France following the resolution of a technical problem which had halted operation for more than a year. The European effort is now directed towards refining the EFR design to reduce the capital costs.

It is almost impossible to predict when electric utilities will want to start buying fast reactors on a commercial basis

What is clear is that all the technology for a large commercial fast reactor is fully developed and available

At the same time the prototype fast reactors in France and the UK have been demonstrating very high fuel burn up which means that fuel cycle costs for fast reactors could be brought below those of light water reactors.

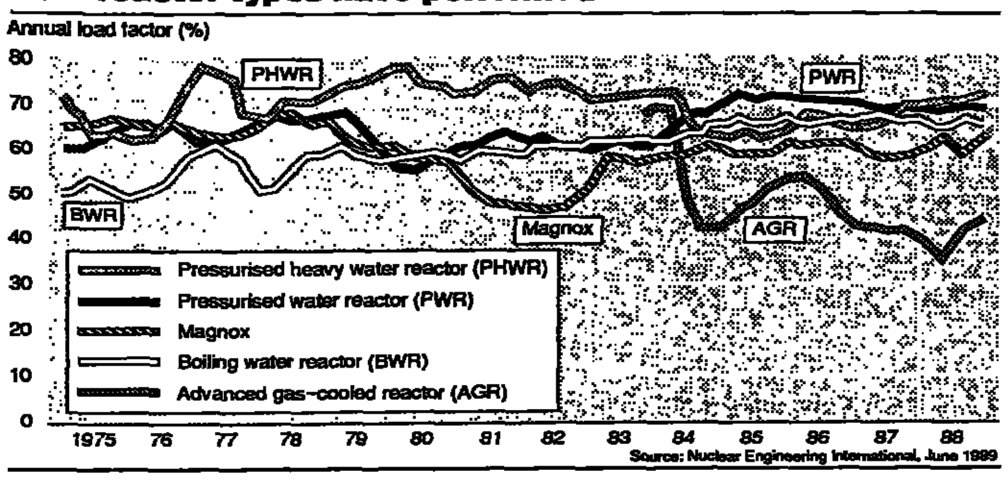
Estimates for the first EFR are likely to show an electricity generating cost of about 20 per cent above that of a PWR for a plant entering service around the turn of the century. Follow on plants of the same design could eliminate the difference.

There is a distinct possibility that uranium prices, currently very depressed, could start to come under upward pressure by 2000. Within the 40-year life-time of a fast reactor, rising uranium prices *could swing* the economic balance in its favour.

The European nuclear industry would certainly like to see a policy which would allow the construction of a first EFR in the latter half of the 1990s so that follow on plants could be taken up as a commercial option somewhat sooner than 30 to 40 years.

Simon Rippon

How reactor types have performed



Source: Nuclear Engineering International, June 1989

ADVANCED REACTORS

Ventures in hand to build simpler and cheaper plants

THERE is a growing belief among companies operating nuclear plants that their systems are more complex and demanding than they need to be. This belief has fuelled a search, in the US particularly, for new designs of reactor, a search in which the electricity companies, through the Electric Power Research Institute (EPRI), their co-operative research and development agency, have collaborated closely with the reactor vendors.

The search has two objectives. One is an advanced light water reactor (ALWR) of the same output as the standard commercial units today but simpler, more rugged, easier to operate, less expensive and quicker to build. The quest has stimulated international collaboration.

For example, Japan, West Germany, Italy and Sweden all participated in the development of an advanced version of General Electric's boiling water reactor. Tokyo Electric Power plans to build the first, starting in 1991, and taking only 48 months compared with the 60-month schedule of those it is currently constructing.

The second, longer-range aim is a smaller reactor, of a *size companies believe* will match the slower rate of increase in load growth expected, and with passive safety features. The diseconomies of scale will be offset, it is hoped, by a simpler system, more readily built on a production line. Passive cooling requires that the reactor core shall remain flooded with coolant for at least three days after a loss-of-coolant accident even if *its operators take no action* at all.

Westinghouse Electric, Avondale Shipyard, Bechtel *and Burns and Roe are collaborating* on the design of such a reactor, the AP600, with electrical capacity of 600MW. It has two systems of emergency cooling neither of which requires pumps or emergency electric power supplies. Radioactive decay heat from the core after shutdown, is removed by convection.

The diseconomies of scale of smaller reactors will be offset, it is hoped, by a simpler system, more readily built on a production line

Passive safety features promise to simplify greatly the overall plant design. According to EPRI, the AP600 will need 60 per cent fewer valves, 60 per cent less pipework, and 80 per cent less control cable. The *idea is to* build AP600s in large modules for transport by rail or barge, and rapid assembly at site.

Another reactor with passive safety features is PIUS (process inherent ultimate safety), a *Swedish design now being promoted* by the ABB Atom, the ASEA-Brown Boveri joint venture. Claimed to be "insensitive to human errors and mischief", PIUS uses a core of BWR fuel in a large pressure vessel of pre-stressed concrete, capable of keeping to core cool for a week by evaporation alone. ABB Atom is seeking US Government support for design and development.

In Britain, Rolls-Royce and *Associates*, the company which has built more than 20 small pressurised water reactors for the Royal Navy, has been collaborating for the past year with the UK Atomic Energy Authority in the design of the safe integral reactor (SIR). This is a 320MW reactor concept that packs the entire PWR primary circuit inside a single very big pressure vessel.

Late last year the partners signed up two US collaborators with considerable nuclear engineering experience: Combustion Engineering and Stone and Webster. This spring the four partners submitted their ideas for SIR to the US Department of Energy for development money – up to $50m – under its scheme to encourage development of reactors with passive safety features. In order to qualify, supplicants – which include ABB Atom with *PIUS – must show that they* are willing to put up at least matching funds.

SIR uses a steel vessel of the same diameter as the Sizewell B presure vessel and therefore needs no new pressure vessel technology, says Dr Brian Eyre, the UK AEA's board member for programmes. Moreover, *the vessel will* receive only about 1/10,000 of the radiation of the Sizewell B vessel *because of the shielding* from its steam generators and also the low rating of the Combustion Engineering core design. The once-through steam generators are simple and readily replaced.

SIR is intended to be built in about three years, half the time allowed for Sizewell B. Dr *Eyre says that its advantages* add up to a price per kilowatt that will match the PWR, four times its *size*, for single, series-ordered units, and beat it if built in pairs with a common turbo-generator.

The initial response from the US Department of Energy to the five-volume preliminary submission is that SIR meets the conditions for funding of the five-year design and devel*opment phase. The UK AEA* has proposed that a full-sized demonstration of SIR should be built at its Winfrith establishment in Dorset, as a replacement for its 100MW prototype steam generating heavy water reactor, which it has run as a local power source for over 20 years.

David Fishlock

POST-CHERNOBYL

An international watchdog born out of nuclear disaster

LAST May electricity industry executives from 31 countries representing 139 electricity companies met in Moscow to inaugurate the World Association of Nuclear Operators (WANO).

Its inspiration was the explosion at Chernobyl in 1986, which killed 31 operating and firefighting staff, and spread radioactive fallout widely throughout western as well as eastern Europe.

WANO is a truly international response to a situation that the US faced following the meltdown *of a pressurised* water reactor at Three Mile Island in 1979. The US nuclear operators responded the same year by creating the Institute of Nuclear Power Operations (INPO) in Atlanta, Georgia.

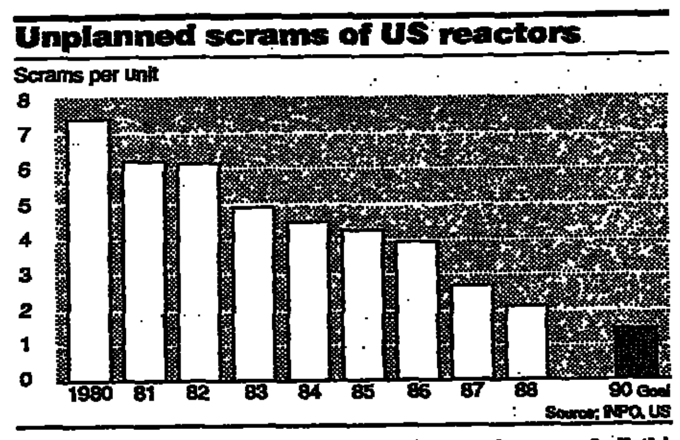
Its 54 member-companies – US utilities with nuclear plants in operation or under construction – pledged to promote excellence in safety and reliability. INPO itself was author*ised to tell members* – and the world – when operators fell short of the best possible practice.

The evidence which emerged from the Three Mile Island accident is that accidents do not "just happen" but have their roots in faulty operating practice. They can be spotted before they occur. *The US* nuclear inspectors unearthed records of several similar inci*dents that had begun in the* same way, although no-one was alert to the implications at the time.

Members of INPO themselves identified the indicators of plant performance which could alert a watchdog to spot undesirable trends. An obvious one is the frequency of the *unplanned "scram" or automatic* shutdown.

As soon as INPO began to ask for regular data from its members on these performance indicators, they began to improve. The frequency of unplanned scrams, for example, fell from an average of 7.4 per year when INPO began to 2.1 last year, as shown in the accompanying diagram. In 1988, 20 US reactors (out of the 87 which reported performance) had no scrams to report.

Unplanned scrams of US reactors



Source: INPO, US

The evidence which emerged from the Three Mile Island disaster in 1979 is that accidents do not 'just happen' but have their roots in faulty operating practice. They can be spotted before they occur

Low frequency of scrams is an indicator of good plant maintenance. *Similarly*, gross heat output – a measure of the heat wasted in leaks – is *an indicator of how well tuned* the nuclear system is. Other indicators – INPO has 10 altogether – include collective radiation exposure to operators, the lost-time accident rate, and the volume of radioactive waste generated at the plant itself

INPO also sets goals for its *members. It has recently* reported that in the case of nuclear waste, the US industry as a whole has already achieved the goal it set for 1990 – a reduction of 72 per cent in volume since 1980. This has a direct effect on operating costs.

By the end of 1988, INPO had distilled the lessons of all this data evaluation into 125 recommendations on human and equipment performance problems in such areas as reactivity mismanagement, decay heat removal, valve troubles, etc. It also had strong evidence to show that, in the words of one *INPO* executive, *the* nuclear environment "is one of the safest environments in *which to work.*"

Through WANO, nuclear operators are trying to extend the principles of INPO worldwide. The electricity companies hope WANO will spot any trends, anywhere, among more than 400 power reactors, that could lead to another serious nuclear accident, and alert all *operators in plenty of time.*

As Lord Marshall, chairman of Britain's Central Electricity Generating Board and a founding spirit of WANO, says: "All are agreed that public confidence in nuclear power will not survive another accident as severe as Chernobyl."

WANO's 139 signatories have undertaken to file data promptly on both performance and all nuclear accidents.

Lord Marshall believes membership of WANO will apply considerable peer pressure to every utility to be open and accurate. No-one can afford to stand accused to failing te meet the spirit of WANO, he says.

The very fact that WANO was inaugurated in Moscow suggests that it has top-level government support in the USSR. At its inauguration Mr *Nikolai Lukonin*, Soviet minister for nuclear power, claimed that unplanned scrams in the Soviet Union were 27 per cent fewer in 1988 compared with the previous year.

WANO aims to maximise the safety and reliability of nuclear stations by fostering competition in performance between operators who are *not* competing commercially. It will also encourage nuclear operators to *visit one another,* and exchange findings on operating practice in critical terms with other members.

Lord Marshall admits that it is his personal nightmare that WANO will say the CEGB's nuclear practice is not among the best in the world. Before WANO was formally born he launched an internal campaign at his nuclear stations to counter any complacency *about safety*.

The 139 WANO members are funding a $5m annual budget for the international exchange and analysis of performance, divided between regional centres in the US, USSR, France and Japan, with a co-ordinating centre in London. Mr Thomas Eckered, a Swedish nuclear engineer, formerly with INPO, is director of the co-ordinating office. WANO, he says, is developing filters to ensure that significant events are never drowned in a mass of data.

David Fishlock

INSIDE

French mutual fund managers under fire

The Commission des Operations de Bourse, the French stock market regulatory authority chaired by Mr Jean Fargé (left), has delivered a stinging rebuke to the managers of Sicavs, or mutual funds. In its annual report, published yesterday, the commission notes a large number of irregularities in the management of the funds it checked, writes George Graham. **Page 24**

The stakes are high

US independent oil company Union Texas Petroleum is racing to add gas reserves and petrochemicals capacity in an attempt to gain a lead on the opposition in the next decade. But this will not be easy; Union Texas is not the only concern to bet its future on gas becoming the "clean" fuel in the coming years, and several big companies are building ethylene crackers. James Buchan reports. **Page 20**

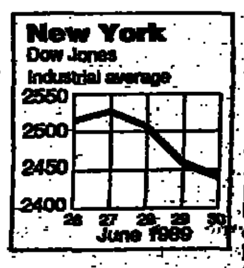
Set fair for new horizons

Michael Meyer changed his mind a few years back: out went the idea of calling his UK light fittings and electrical accessories group Merchant Adventurer and in came the much simpler name of Emess. The nautical theme lives on, however, in the stylised sextant which Emess boasts as its logo, and on July 13 the British group will sail into the list of companies quoted on the Frankfurt stock market. Clay Harris looks at "the good reasons" behind this initiative. **Page 28**

Fathoming problems of the deep

The sinking of a Soviet Mike class nuclear-powered submarine in April and the fire on another Soviet nuclear submarine last week pose unusual dilemmas which the world's navies would probably prefer to ignore. Rachel Johnson examines these problems. **Page 29**

Leaders take a fall



Leading stock markets took a fall last week, with poor performances by the US, Japan, France and West Germany dragging the FT-Actuaries World Index lower. Economic and political worries lay behind most of the declines. It was not a bad week for everyone, however, with Denmark, South Africa and Hong Kong all showing gains. **Page 42**

Chief price changes yesterday

FRANKFURT (DM)				Colas	615	+	24.9
Rises				Crouzet	674	+	23.8
Hypobank	416.5	+	12.5	**Falls**			
Veba	334.5	+	10	Cap Gemini	2450	−	189.9
Viag	372.5	+	17.5	Locindus	795	−	55.8
Falls				Pretabail	1055	−	91.4
Henkel	512.5	−	4.5	**TOKYO (Yen)**			
Schering	648	−	22.4	**Rises**			
NEW YORK ($)				Sanyo Seiko	1270	+	190
Rises				Sumitomo	2180	+	290
Digital Equip.	94¼	+	2⅞	Tokyo Tekko	2110	+	210
Gen. Nutrition	10⅞	+	½	**Falls**			
IBM	112½	+	¼	Hokuei	1170	−	60
Falls				Matsuya	1500	−	90
First Executive	15⅛	−	1	Nakabayashi	1130	−	60
LIN Broadcast	113½	−	2⅞				
Minnetonka	22½	−	2½				
PARIS (FFr)							
Rises							
BSN	692	+	34.7				

New York prices as at 12.30pm.

LONDON (Pence)				Prestwich	130	+	8
Rises				Prudential	176½	+	5½
Arlington Secs.	215	+	9	Ultramar	317	+	7
BAT Inds.	652	+	6	Ward White	442	+	117
Bunzl	464	+	6	**Falls**			
Enterprise Oil	689	+	9	Attwoods	480	−	4
Gestetner	292	+	23½	Boots	269	−	21
Ivory Merc. Dev.	514	+	10	Carlton Comms.	818	−	6
Jaguar	353	+	4	London Utd.	60	−	9
Kingfisher	312	+	6	Plessey	236	−	17
Magnet	304	+	11	Securicor "A"	663	−	20
Marley	153	+	10				
Newarthill	2383	+	358				
Polly Peck Int.	266	+	7				

Cutting a dash in the beauty parlour

Christopher Parkes on Unilever's hopes of building a presence in the cosmetics business

With a £78m ($121m) touch of Rimmel blusher last month, topped off with a £198m dab of high-class Calvin Klein perfume at the weekend, Unilever is cutting quite a dash in the world's beauty stakes.

If appearances count for anything, the Anglo-Dutch soap, food and chemicals group, should prove an attractive figure at the forthcoming auction of Beecham Group's cosmetics business. Its vast bulk should also help ensure it a place in the front row.

However, according to Mr Mike Perry, the main board director responsible for Unilever's personal products worldwide, "everyone and his uncle" is queuing up at Beecham, which is expected shortly to sell off non-core interests on completion of its merger with SmithKline, the US drugs group. It follows that no one should take any bets on the outcome.

In the meantime, Unilever has been placing relatively modest side-bets on its own ability to match and outpace L'Oréal of France, Avon and Revlon of the US and Japan's Kao and Shiseido.

Sunday's deal to buy Calvin Klein's Obsession and Eternity perfume brands represents a tactical acquisition to build on the upmarket fragrances business that came Unilever's way with its 1986 purchase of Chesebrough-Pond's, Mr Perry said.

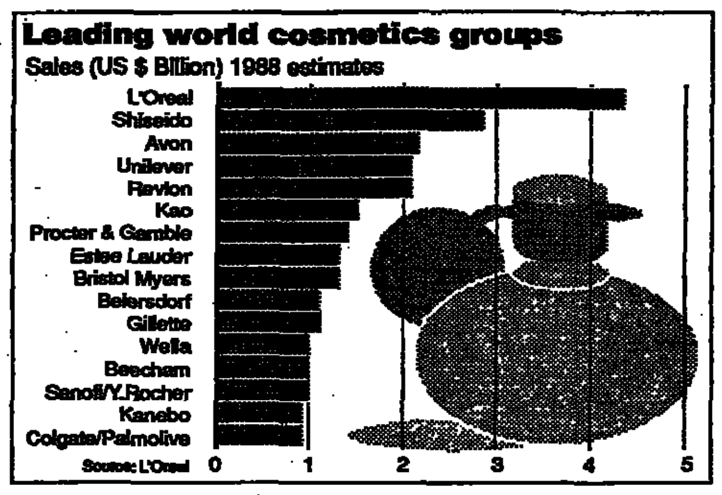
In the same way, last month's takeover of Europe's Rimmel and Chicogo colour cosmetics businesses from Schering-Plough complemented Chesebrough's Cutex range.

The group prides itself on its patience and long-term strategies. Chipping away at the $20bn world beauty care market with such relatively small buys may offer some satisfaction, but as the recently-collapsed £917m agreement to buy Fabergé and Elizabeth Arden showed, Unilever is still in the market for the big deal. At least while Michael Angus remains chairman of the UK half of the group, there is a good deal of top-level support for expansion. Having once sat in Perry's position, he has clear and strong views on Unilever's role in the global beauty parlour.

Michael Angus: clear views on Unilever's role in beauty market

The framework for absorbing a beauty products company of any size is now in place, with a substructure devoted to the development of high-class fragrances; a sector worth about $3bn a year, with some $1.6bn of that accounted for by the US.

Parfums International, the US business, last year turned over about $100m, thanks largely to Elizabeth Taylor's Passion, the more traditional White Shoulders perfume favoured, Mr Perry says, by First Lady Barbara Bush and soon to be joined by the steamily promoted Obsession. More than 80 per cent of Calvin Klein's $158m sales last year were made in the US.



Unilever also has creative and marketing centres for perfume in Paris and Milan.

The market is so fragmented that anyone operating in the area needs a substantial portfolio of brands to gain an audience with the retailers' buyers, Mr Perry explained.

Growing affluence and the reported desire among consumers for "something different" has evoked concerns in the industry that women can no longer be counted on to stick with a particular brand for a lifetime.

The distribution network is also in flux: legal and commercial pressures have increasingly forced manufacturers to supply all-comers with their products.

The select department store and perfumery now commonly find themselves competing for business with the likes of the local drugstore.

One effect has been considerable pressure on prices. In the US, for example, despite record promotion budgets and considerable innovation, retail sales of fragrances at constant 1986 prices are expected this year to be only $3.1bn compared with $2.8bn in 1986.

Mr Perry is undaunted. "The suggestion that fragrances is not Unilever territory is fundamentally mistaken," he said. "We are talking about branding, the communication of concepts and properties in the emotional area. Whether we talk about Timotei shampoo or Calvin Klein, the principles are the same."

Many of the ghosts associated with the perfume trade had been laid. "The people in this business are just like us [at Unilever]," he stressed. The days were gone when a limp wrist was an essential accoutrement. "Strange figures moving around at the edges of the fashion world" no longer had a role to play.

Strong personalities established in the mainstream, on the other hand, were a different matter. Unilever had hitched its wagon to a star with the launch of Elizabeth Taylor's Passion line.

Calvin Klein may be a personality of comparable status, but there have been examples in the past where designers have licensed the use of their name on such a wide range of products that its cachet all but evaporated. According to Mr Perry, if Klein were to do that it would run counter to everything he had done to date.

Potential problems with "borrowed talent" were self-evident, he said. The key to success was the extent to which "brilliant management and direction can turn an upstart like Yves Saint Laurent or Calvin Klein into a classic."

Calvin Klein was not yet a classic, but he had all the characteristics necessary to make the grade.

He had, after all, had the good sense to steer the fragrance business bearing his name in the direction of the Anglo-Dutch group. At a multiple of less than 20 times earnings, there are those – notably the arbitrageurs who have been hanging around since the business was put up for sale last March – who believe a much richer bargain might have been struck.

But Unilever believes that its pleasing appearance had a part to play. The group is renowned for making great efforts to keep on the managements of successful companies that fall into its net.

"The price may have been conditioned partly by the fear of the other wild beasts out there," Mr Perry suggested. The Japanese had a special capacity for scaring the living daylights out of senior executives.

"There's nothing like making them feel they are wanted to have them beating a path to your door."

Boots in hostile bid for retail chain

By Philip Coggan in London

BOOTS, the British chemist's group, yesterday launched an £800m ($1.24bn) cash bid for fellow retailer Ward White. The Ward White board rebuffed the offer as "inadequate."

The prospect of a long bid battle was underlined when Ward White's shares soared 117p to 442p on the London Stock Exchange, well above Boots' 400p per share offer.

The bid follows months of speculation about the future of Ward White, owner of the Halfords bicycles and car parts group, which has recently reported disappointing earnings growth. Fully diluted earnings per share rose just 3.6 per cent last year and analysts expect only a tiny rise this year.

The company was built up by Mr Philip Birch, the chairman, through a series of acquisitions in 1984-6. However, several of the acquired businesses have since been sold. Last year, the company made pre-tax profits of £76.6m on turnover of £734.6m.

Boots is interested in Payless, another Ward White business, and Halfords, because of their involvement in DIY and car parts, two large and fast-growing markets. Payless is the third largest DIY retailer, although it only has 3.9 per cent of the UK market, according to Verdict Research, a retail consultancy. In contrast, Boots has large shares of its current markets, in personal care and cosmetics, and expects slower rates of growth in those sectors.

The offer is being funded with a £950m fixed-rate facility from Chase Investment Bank, Westdeutsche Landesbank Girozentrale and Kleinwort Benson. Although Boots said that the offer should not dilute its earnings this year, analysts were sceptical about the merits of the deal and the shares fell 21p to 269p. The increased debt also caused Standard & Poor's, the US credit-rating agency, to place Boots' US commercial paper on Creditwatch – indicating that the debt-rating is being kept under review.

Boots has been buying Ward White shares since the beginning of June and yesterday it picked up another 3m ordinary shares (2.5 per cent) in a dawn raid, carrying its total stake to 10.65 per cent. It also owns 3.1 per cent of the convertible preference shares.

However, Mr Birch said yesterday that the offer "reflects neither the value nor potential of our key retail operations."

Lex, Page 18; Background, Page 21

Goldberg steps in with plan to take over IEL

By Chris Sherwell in Sydney

MR ABE GOLDBERG, the Australian textile magnate, has joined forces with the two top executives of Industrial Equity (IEL) in a surprise move to halt the investment group's A$1.8bn (US$1.4bn) merger with the Goodman Fielder Wattie food combine and win control of it as an independent company.

Mr Goldberg, together with Mr Rod Price and Mr Bill Loewenthal – respectively chief executive and acting chairman of IEL – yesterday announced they had already spent A$360m buying 150m IEL shares from Brierley Investments (BIL), the New Zealand master company in Sir Ron Brierley's business empire.

The trio have also contracted to lift this 19 per cent stake to 52 per cent by buying a further 98.7m IEL shares from BIL and 156m IEL shares from Goodman Fielder.

These purchases will also be at A$2.40 a share – well above current market levels, but identical with the price paid by Goodman Fielder when it bought its 20 per cent IEL stake from BIL last month.

Goodman Fielder's investment in IEL was the first step in a complicated merger in which it would spend A$1.1bn in cash and issue 312m shares to gain full control of IEL.

BIL planned to accept for its full 52 per cent and then pay Goodman Fielder A$1.1bn for IEL's Woolworth's retail chain.

Goodman Fielder would meanwhile sell off IEL assets it did not want. The proposal quickly ran into objections from key Goodman Fielder shareholders, namely Mr John Elliott's Elders IXL, the AMP Society, and Ranks Hovis McDougall (RHM).

It soon became clear that Goodman Fielder's 90 per cent acceptance condition for its IEL bid would not be met. At the same time smaller IEL shareholders objected to its loss of independence.

Yesterday's link-up with Mr Goldberg sprang from a separate battle last month in which he successfully outbid IEL for control of Brick & Pipe Industries, a large brick and tile maker in Victoria. Mr Goldberg, long a successful textile manufacturer, was flush with cash from a profitable investment in Tootal of the UK, while IEL remained interested in Brick & Pipe.

The trio's specially-formed company, called Corama, is 75 per cent owned by Mr Goldberg and 25 per cent owned by Mr Price and Mr Loewenthal. Because their plans do not involve a full takeover offer, they are still subject to the important approval of IEL shareholders.

But Mr Price and Mr Loewenthal expressed confidence yesterday they could secure this. The group had A$1.5bn in cash and undrawn facilities, and an eye on several targets, they said. There was no plan to sell its Southern Farmers business to Goodman Fielder, and the Woolworth retailing operation would stay with IEL.

If the deal goes through, it will sever BIL's connection with IEL altogether and extricate Goodman Fielder from a potentially awkward situation.

But if it fails, IEL will have a complex mix of shareholders – Goodman Fielder, Corama and BIL – which could spell a further round of negotiations.

Gold Fields scheme rejected

By Nikki Tait in London

SHAREHOLDERS in Consolidated Gold Fields, the diversified UK mining group which is currently facing a £3.1bn ($4.65bn) bid from Hanson, have rejected an unusual dividend scheme devised by the company in its defence against a previous bid from Minorco.

The so called "target earnings and special preference dividend scheme" formed a significant plank of Gold Fields' financial defence against the bid from Minorco, the South African-controlled investment company. This bid failed when it was blocked by the US courts.

Under the scheme, Gold Fields was to set a cumulative earnings per share target, before sales of operations, of 400p for the three years to 1990 to 1992, implying average compound growth of over 20 per cent.

Should the target not be met, a special preference dividend of £6 gross per share would have been paid to all shareholders. This would cost a total of £1.3bn.

The scheme was put to shareholders at an extraordinary general meeting on Friday but, after Gold Fields' chairman Mr Rudolph Agnew called for a poll, the result was delayed until yesterday.

The result showed a 7:1 vote against the scheme, with 74.8m votes cast against and only 10.4m in favour. However, the figures are heavily influenced by the impact of Minorco's stake which – as the company revealed on Friday – was voted against the motion.

Minorco holds 63.9m shares – now irrevocably pledged to accept the Hanson offer for Gold Fields. The remaining shares were split fairly evenly on the motion – 10.3m for, and a slightly larger 10.8m being cast against. The overall turnout, including the Minorco shares, amounted to slightly under 40 per cent of Gold Fields equity.

The final result appeared to cause little surprise in the Gold Fields camp, which had already been suggesting that if Minorco voted against the motion, it had little confidence in it being carried. At Friday's meeting, Mr Agnew told shareholders that although the board was fully supportive of the scheme – in particular, the earnings target – it had decided that it was fairer not to seek to influence investors, and offered no recommendation. Directors did not vote.

The scheme had received a lukewarm reception from analysts who, although giving it full marks for imagination, had suggested that it added little to the value of Gold Fields shares.

Meanwhile, discussions between Gold Fields and Hanson are said to be continuing.

Magnet buy-out deal goes ahead

By David Waller in London

MR TOM Duxbury, chairman of Magnet, threw off the shackles of the stock market yesterday when he and his advisers were able to declare his £629m ($975m) bid for the kitchen furniture group unconditional, more than five months after the buy-out was first proposed.

The deal – the biggest buy-out bid for a quoted British company – went through despite vociferous opposition from institutional investors. Some of them forced a change to the terms of the offer for convertible shares whilst others objected to the deal as a matter of principle.

City opinion was divided on whether the success of the bid might pave the way for a spate of such deals, or whether Magnet's difficulties with institutions might deter other management teams.

Institutional opposition was still evident yesterday. Backing from ordinary shareholders stood at 85.5 per cent but the separate convertible offer received only 76 per cent acceptances. Bankers Trust, adviser to Mr Duxbury, said that it was now possible to take the company private by means of a vote at an extraordinary general meeting. Such a manoeuvre only required a 75 per cent majority from both classes of shareholder.

Mr Albert King, Magnet's finance director, said that the offer had been through so many hurdles, and experienced so many difficulties, that he felt "relief rather than exultation" at the final outcome. Mr Duxbury himself said that he and his team were looking forward enthusiastically to a new life as part of a private company.

This sentiment was not shared by Mr Geoffrey Browne, managing director of Sun Alliance's asset management arm. His public condemnation of the deal at the end of May nearly scuppered it; yesterday he was equally unenthusiastic.

"We are very disappointed that this deal went through," Mr Browne said. "I fear that this will be something of a watershed and we will now be faced with a spate of such deals."

The Magnet offer was different from previous buy-out bids for quoted companies – such as Mr Richard Branson's £248m offer for Virgin – both in terms of size, and because the management owned such a small percentage of the equity (under two per cent in this case).

Institutions such as Sun Alliance said that there were conflicts between the interests of management and other shareholders, and that institutions were being denied the opportunity to invest in well-managed companies over the long term.

INTERNATIONAL COMPANIES AND FINANCE

Arnault is step nearer to control of LVMH

By George Graham in Paris

MR BERNARD Arnault, chairman of LVMH, won a battle yesterday in his war with Mr Henry Racamier, head of LVMH's Louis Vuitton subsidiary, for control of the French drinks and luxury goods group.

The French commercial court threw out the demand made by a number of LVMH's small shareholders, backed by Mr Racamier, for the annulment of shares held by Mr Arnault amounting to around a quarter of his 45 per cent stake in the company's capital.

Their suit had contested an issue of bonds with warrants by Moët Hennessy, the champagne and cognac company which merged with luggage maker Louis Vuitton to form LVMH. Most of this issue, which had been criticised by the Commission des Operations de Bourse (COB), the French stock exchange regulator, had found its way into the hands of Mr Arnault.

Mr Philippe Grandjean, president of the Paris commercial court, said the warrants issue might have taken advantage of Moët Hennessy's shareholders, but refused to apply any changes made in the law since the deal was struck. He said he was happy if the case had prompted the COB to tighten up its rules.

Yesterday's verdict, which ends the freeze applied in May to the contested shares, is expected to be appealed.

Mr Arnault plans to use LVMH's 98 per cent control of Louis Vuitton to change the company's statutes at a shareholders' meeting which has been delayed by the court proceedings until September 15. He intends to oust Mr Racamier, 77.

Union Texas gambles on gas

James Buchan on the diversification plans of a US oil independent

MR Clark Johnson, chairman of Union Texas Petroleum, is a businessman in a hurry. A burly Pennsylvanian who has been with the second largest US independent since 1968, he is racing to add gas reserves and petrochemicals capacity to take Union Texas into the 1990s.

Though Union Texas is as deep in debt as anybody else in its home town of Houston, it will spend $90m on drilling for gas this year in the Gulf of Mexico alone.

And it has offered contractors at its ethylene plant in Louisiana a whopping profit-sharing deal if they can bring in a 39 per cent expansion of the plant by the last day of the year.

It does not matter to Mr Johnson that the price of gas is down 40 per cent from its peak in 1983 and markets for ethylene, the key component in hundreds of chemicals and plastics, have begun to weaken after a very strong 1988. "In commodity markets, you can't wait for the price to go your way," says Mr Johnson. "You have to be ahead of the game."

This will not be easy. Now that the mainland US has been worked over for its oil reserves, the independent companies and such majors as Amerada Hess are betting their future on gas as the "clean" fuel of the future for US industry and households. And big companies such as Phillips Petroleum, Dow Chemical and Quantum Chemical are building new ethylene crackers.

In its race to get ahead, Union Texas has a bad handicap. For years a subsidiary of Allied-Signal, the New Jersey conglomerate, Union Texas was loaded up with $1.5bn in junk bonds and preferred stock by Kohlberg Kravis Roberts, the Wall Street investment firm, in a partial leveraged buy-out in 1985.

Union Texas managed to raise $240m in equity by selling 20 per cent of the company to the public in a share offering in 1987. But the company remains heavily indebted: it must shell out $100m a year to service its debt and preferred stock, which is the equivalent of all the after-tax income from Union Texas' North Sea interests.

Despite this burden, Union Texas — the largest US independent after Oryx, the former Sun Exploration and Production — has been as successful as any US oil company in finding oil and gas to replace what it produces.

The company, which has only a quarter of its business in the US and the rest in the UK North Sea, Pakistan and Indonesia, increased its reserve base last year to 501m barrels of oil equivalent at a finding cost, Mr Johnson says, of little more than $5 a barrel.

Last July's catastrophic platform explosion in the Piper field, where Union Texas has a 20 per cent interest, might have destroyed the company but for Mr Johnson's prudence. The company had $137.8m of damage insurance and a further $275m of business interruption insurance.

The result was that earnings from the UK were actually higher last year, at $105m, than the $75m achieved in 1987.

Wall Street has begun to notice Union Texas. The company's stock, which was priced at $14 at the 1987 offering, tumbled to under $6 in the 1987 crash but has clawed its way back up to $14½ recently.

Kohlberg Kravis, which owns 40 per cent of the company, has seen the value of its investment rise comfortably in four years. "We've paid our bills and preserved our reserve base and started building equity value," Mr Johnson says.

But Union Texas faces some hefty challenges down the road. Beginning in 1992, the company must find some $500m over four years to redeem the junk bonds issued to finance the leveraged buy-out.

In 1993 and 1994, it will probably have to redeem some $275m in preferred stock. Allied also has the right then to buy $800m in stock at a fraction of its market value, which will dilute shareholders' earnings. Mr Johnson is under pressure to build Union Texas large enough to absorb these costs.

Until the Piper field is redeveloped, Union Texas will depend on its Indonesian and US gas operations and its ethylene business for growth.

In Indonesia, where Union Texas has an interest alongside Ultramar of the UK in the highly productive East Kalimantan concession, the company can supply growing demand for liquefied natural gas from Japan and its fast-growing neighbours.

The ethylene plant, which is at Geismar, near Baton Rouge in Louisiana, chipped in record profits of $83m last year with average sales prices doubling to 28.5 cents a lb. So far this year, the price has weakened a few cents in response to falling demand for plastics from the sluggish motor industry and the prospect of the new capacity expansions.

But Union Texas will certainly beat the pack with its 300m lb expansion at Geismar and says it will still make good money if the price falls to the "mid-20s" in cents.

The key to success lies in the Gulf of Mexico. Last year, Union Texas sharply increased exploration and had a banner year, with 10 out of 17 exploratory wells turning up gas. Production this year will probably be twice the 89m cu ft of 1988 and triple the 1987 figure.

But the industry is still plagued by a surplus of deliverable supply, the legacy of heavy exploration in the early 1980s when energy prices were going through the roof.

Many Texans, from drilling wildcatters to company men such as Mr Johnson, are betting that growing anxiety about pollution will switch many industrial and utility users over to gas and cause the price to rise. But it is a gamble.

"There's just one thing that bothers me," says Mr Johnson with a chuckle. "We can't all be right."

UNION TEXAS PETROLEUM

	1988	1987	1986
Net income†	[illegible]	55.9	(57.5)
Revenues†	[illegible]	[illegible]	1,270
L-t debt†	[illegible]	822	824.1
Net worth†	171.2	132.7	(382.1)
Gas reserves*	1.63bn	[illegible]	1.55bn

†In millions of dollars. Figures in brackets indicate a loss. *Millions of cubic feet at year end

Gestetner bids for Hanimex

By Chris Sherwell, Vanessa Houlder and Our Wellington Correspondent

GESTETNER, the UK office equipment group, yesterday announced a complex A$145.2m (US$109.7m) offer to buy Hanimex, an Australian photographic and imaging equipment distributor, from Chase Corporation, a New Zealand property and investment company.

This came as the New Zealand Government stepped in at the beleaguered Chase, freezing its NZ$1.3bn (US$746m) portfolio of local property interests.

Statutory managers are being appointed for its property business and an outside financial adviser to its main board.

The move stops just short of appointing a government receiver to Chase itself.

The group's shares have plunged as a result of its failure to meet a June 30 deadline for the sale of key assets and the persistently grim outlook in the New Zealand property market.

The offer for Hanimex, at A$2 per share, is below recent market levels, and substantially below the A$3.75 to A$6.25 range mooted by Salomon Brothers earlier this year when Chase put it up for sale.

But Chase said yesterday that, because of its own liquidity position, it would recommend acceptance in the absence of a higher bid.

AFP, the UK-registered Australian investment company which has major stakes in both Gestetner and Chase, is participating in the initial offer, although its stake will then be sold, at cost, to Gestetner.

As a result of involving AFP, Gestetner has avoided the necessity of seeking shareholders' approval prior to making the offer.

Mr Greg Melgaard, deputy chairman of Gestetner, said that the deal would not dilute earnings.

Hanimex would fit with the existing business as it would provide a complementary distribution channel through which Gestetner could sell low-price office equipment.

Hanimex's other attractions included strong market positions, a global network and brand recognition for its Hanimex and Vivitar lines, he said.

Gestetner plans to finance the acquisition through a mixture of borrowings and the conversion of some of the loan stock held by AFP Group.

AFP, which now owns 13.9 per cent of Gestetner, would increase its stake to 55 per cent if it fully converted its loan stock and exercised its options.

Mr Melgaard said that Gestetner was still seeking at least one more large acquisition. The company plans to double its current size through merging with service or distribution businesses serving a similar customer base.

The disposal was one of a set of measures announced by Chase.

AFP was also said to have agreed to buy Chase's holding of shares and options in Reil Corporation, Chase's 66 per cent-owned subsidiary through which it controls Wormald, the fire protection group.

The consideration would be A$46.4m in cash, equivalent to A$2.50 per share. Chase said it also had an offer of 18 cents per share for its holding in mining group AUR.

Chase shares closed 2 cents down at 11 cents on the New Zealand stock market before the announcements. Earlier this year they had traded above NZ$1.

Lazard Frères forms European buy-out fund

By Charles Batchelor

LAZARD FRERES, the French merchant bank, has set up a FFr1.8bn ($271m) management buy-out fund to provide equity finance for deals primarily in France but also throughout continental Europe.

The Fonds Partenaires is the first large buy-out fund to be set up by a group of Continental investors. European funds have in the past been set up by British and American venture capital groups.

The new fund has the backing of 28 European investors including French banks, such as BNP and Credit National, and French insurers, such as Axa-Midi and UAP.

Other investors include GE Capital Corporate Finance Group of the UK, Dresdner Bank of Germany, Generali, an Italian insurer, and Sofina, a Belgian industrial holding company. Sixty-five per cent of the funds have come from French investors.

Fonds Partenaires will invest up to 10 per cent of its funds or £17.5m ($27m) in any one transaction though the equity funding will be used as a basis for raising mezzanine finance and loans.

The consortium of investors was put together in the relatively short time of just three months and Lazard is already looking at two transactions which might be financed by the fund. Management buy-outs have grown in popularity in continental Europe in recent years, with France and the Netherlands the centre of most activity.

Leumi shareholders enlist Drexel aid to retain bank

By Hugh Carnegy in Jerusalem

THE controlling shareholders of Israel's Bank Leumi have enlisted the help of Drexel Burnham Lambert, the US finance house, in the battle to keep their hold on the bank after the Government disposes of its majority stakes in the country's banks.

The Israeli Government is committed to selling its holdings, acquired after a collapse in bank share prices in 1983, in an attempt to recoup as much as it can of the $7bn it laid out in the rescue operation and to end the resulting legacy of preference shares which left control in the hands of minority equity holders.

Bank Leumi, with total assets at the end of last year of Shl 48bn ($26.6bn at last year's exchange rate), is the first to be sold off.

However, the Jewish Colonial Trust, OHH, which controls it with only 2 per cent of the equity, is fighting to stay in charge.

It has belatedly joined the country's other three big banks - Bank Hapoalim, Israel Discount Bank and Bank Mizrahi - in agreeing in principle to the government's insistence on introducing a one-share-one-vote system, thus removing the need for legislation.

But in a clear attempt to pre-empt any open tender for Bank Leumi, OHH has agreed with Drexel Burnham Lambert to co-operate in putting together a group of investors willing to purchase between 50 per cent and 90 per cent of the bank's stock on a one-share-one-vote basis.

Under the agreement, which will run until August 30, Drexel would be part of any investing group, and all the investors would be committed to maintaining the bank's Zionist identity, which predates the founding of the state in 1948.

Bank Leumi officials said they were confident this move would be favourably received within the Finance Ministry and the Bank of Israel.

Officials at M.I. Holdings, the special holding company given the task by the government of disposing of the state's bank shares, reacted coolly.

They said any investment proposal put together by OHH would be subject to competition.

They envisage splitting off Bank Leumi's profitable subsidiary, Bank Igud, and selling the two separately to maximise returns. "More than 10" potential investors had shown interest in these, officials said.

The next stage for the government is to decide what Bank Leumi, which returned a small net loss last year after heavy bad debt provision, is worth.

Local consultants have been appointed to produce evaluations of Bank Leumi and Bank Igud within three months, and the Bank Leumi board has grudgingly agreed to co-operate with them.

Vitamin retailer deal

GENERAL Nutrition, the largest US specialty retailer of vitamins, has approved an offer from Thomas H. Lee, a Boston-based private investment firm, AP-DJ reports. The deal involves a cash tender offer at $11.50 a share for up to 28,868,016 shares.

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Boots shakes off 'dependable but dull' tag

Maggie Urry on the background to the UK retail chemist's bid for Ward White

Boots' directors cannot remember the last time the retail chemist and pharmaceutical group launched a hostile bid. Even Mr Philip Birch, chairman of Ward White, the victim of yesterday's £800m ($1.26bn) offer from Boots, was surprised when he heard who had been buying his company's shares. "One does not associate Boots with aggressive bids," he remarked.

The offer for Ward White marks a significant change in culture at Boots and a bid to enter completely new areas of retailing, notably do-it-yourself (DIY) and car spares.

Boots used to be regarded as a dependable but dull company. Growth, when it came, was largely through the group's internal efforts.

In the early 1970s offers were mooted for both House of Fraser and Glaxo, but both were referred to the Monopolies and Mergers Commission. More recently, agreed deals have been done: the controversial purchase of Flint, the US pharmaceutical business, in 1986 and in January this year the takeover of Underwoods, the London-based chemist chain.

But there has been a "quiet revolution" going on at Boots for some time, which was revealed by Mr Robert Gunn, the chairman, when he announced an unexpectedly large rise in the group's latest annual profits last month. The retail side of the group, once run by the pharmacists who made up the prescriptions, has developed retailing skills which have enabled a strong improvement in retail margins.

In recent years there has been a very large programme of redesigning stores, focussing on key product areas, controlling costs and using electronic point-of-sale technology to improve stock control and to determine which products it was profitable to sell. All these have combined to increase profitability.

Perhaps more important has been the drive to make managers more accountable, which required an overhaul of the store management structure. And non-performing businesses have been more ruthlessly dealt with than in the past.

Most significant, though, was the arrival of Sir James Blyth as chief executive in October 1987 after he quit the managing director's job at Plessey. Although not the instigator of the shake-up, he was introduced to pep up the business with a fresh and energetic approach.

"The Ward White bid could not have happened without Sir James being there," suggests one analyst. But Sir James is only there because of a feeling within Boots that it ought to be taking this sort of action.

Certainly the company has a new air of confidence, reinforced by the rapid success it has had with the Underwoods purchase. Most of those stores were swiftly transformed into Boots outlets, with a dramatic effect on sales.

But behind this new mood there is another motive. Boots' businesses are now throwing off cash and it could be seen as a bid target itself, if it did not have something new to invest in. Pharmaceutical companies are too expensive to buy, but retailers come cheaper.

Yesterday Sir James, in outlining the group's intentions for Ward White, made no suggestion that there was any industrial logic in the two companies joining forces. Rather Boots says it can bring skills to Ward White's UK subsidiaries that are lacking at present, and support expansion and investment programmes from its own cash-generative activities.

The North American business, Whitlock, an auto parts retailer, has too many problems to be tackled at the same time, argues Sir James, and that will be sold to the highest bidder if Boots' offer succeeds. That decision may reflect Boots own sorry involvement in North American retailing — after years of struggling in Canada, Boots finally pulled out last year.

In the UK, Boots reckons Ward White's Halfords chain, the car parts, servicing and bicycle retailer, is already a well-managed business and expanding fast. Payless, the out-of-town DIY operator, and Stanley, the high street decorating chain, need more attention, Boots reckons.

Payless, with third place in the DIY market league table, has the best financial ratios of any of the major players — a fact which Boots readily concedes and which Mr Birch claims as a defence counter.

As well as cash for investment, Boots reckons it can insert into Ward White its mass market merchandising expertise, its know-how in technology and systems, its understanding of the retail property market and its warehousing and distribution skills.

But the main plank of Boots attack on Ward White is that it "lacks strategic direction". It is a charge to which Mr Birch pleads a firm not guilty, although to outsiders it has sometimes been hard to discern what the strategy is.

Ward White's origins are in a shoe business called John White, the board of which Mr Birch joined in 1970. He was there while a series of deals were done in the footwear sector, including the purchase of George Ward in 1972.

In 1980 Mr Birch became chairman, and soon launched the group on an acquisition spree — in that sense its culture could not be more different from the Boots of old.

Halfords was the first big deal, in 1984, followed by a bid for Foster Brothers, the menswear chain, which failed; then came the successful purchase of Maynards, the toy retailer and confectionery group and of Owen Owen, a department store chain, in 1985; both Payless and LCP, a property group, were acquired in 1986, the latter being the owner of Whitlock.

There have been a number of disposals too, some of them fairly soon after acquisitions. The footwear businesses have all gone, as have the toy chain and Owen Owen.

In all this, Mr Birch says, Ward White was aiming to be an international speciality retailer. Critics suggest his main concern in selecting targets was not so much industrial logic as whether an acquisition could help keep profits rising, with much paper being issued on the way.

Whether by luck or judgement, though, Ward White has assembled what is now a fairly coherent group of businesses, some of which are clearly attractive.

Ironically Sir James, whose own background is in defence, is now on the attack, even if that is itself a form of defence. Mr Birch, usually on the aggressive side of a deal, is now the target.

Aerospatiale makes $4.7m investment in ES2

By Alan Cane

AEROSPATIALE, the French aerospace group, has become the ninth company to invest in European Silicon Structures (ES2), the pan-European microchip manufacturer attempting to challenge US and Japanese dominance in semiconductors.

The other investors, who funded the formation of the company in 1985, include Saab Scania, British Aerospace, Groupe Bull, Philips and Asea Brown Boveri. Around $100m was raised to start the company.

Aerospatiale is understood to have made its investment, valued at about Ecu5m ($4.7m), to gain experience of a technology that it is finding increasingly crucial to its business. It has been a customer of ES2 for over two years.

ES2 designs and makes a special kind of silicon chip called an Application Specific Integrated Circuit (ASIC), customised to a client's exact requirements and produced in small production runs which conventional semiconductor companies would find uneconomic.

It uses a combination of computer-aided design techniques and electron beam technology to deliver products twice as quickly and cheaply as its competitors.

It is now building up manufacturing capacity at its American venture, US2, where its customers include Boeing Corporation, Hughes Aircraft and John Hopkins University. However, the European company will not break even until the latter part of next year, some way behind its initial expectations, and it is still looking for new partners to share the financial burden.

The company said last week that it expected to be able to announce a further investor later in the summer. It would be able to help its efforts in the West German market where it has been noticeably weak.

Nevertheless, ES2 delivered its 500th chip design to Bosch of West Germany in May and said it expected to deliver its 600th design next week.

Enimont and Orkem agree to 'swap' activities

By George Graham in Paris

ORKEM, the French state-owned chemicals producer, and Enimont, the Italian chemicals group formed from the state ENI group and most of the assets of the private-sector Montedison, have clinched an agreement to reinforce their respective product ranges by swapping activities.

Enimont will take control of Orkem's polyethylene activities on two sites in France, while the French company will take over Enimont's subsidiary Vedril, which produces acrylic glass at two sites in Italy and West Germany. The Italian company will also take a share in Orkem's petrochemicals steam cracker at Dunkerque.

Vedril is estimated to be worth around $120m, while the activities acquired by Enimont are valued at over $300m, leaving the Italian company to pay Orkem the balance in cash. "This is a very important deal because we are trying to build an industry on a European scale," said Mr Lorenzo Necci, chairman of Enimont.

"We still think there are far too many competitors in Europe. We do not believe that in the years to come we can continue to have 18 producers of polyethylene or 17 producers of PVC."

Mr Serge Tchuruk, Orkem's chairman, said that the French Government had approved the deal, adding that the restructuring of the chemicals industry had to be carried out on a European, not national, scale.

The deal continues Orkem's move to refocus on a number of speciality chemicals, selling the activities where it did not have a strong enough market position. Enimont, meanwhile, will be reinforced in the polyethylene sector, where it was already one of the strongest European companies.

The acquisition of Orkem's 390,000-tonnes-a-year capacity to produce low-density polyethylene, used in packaging and agricultural film, will give Enimont nearly a quarter of the 4.55bn-tonnes-a-year European market. In addition, Orkem's 100,000 tonnes a year of linear low-density polyethylene capacity will give it a third of the fast-growing market for this plastic, used in applications such as packaging and rotomoulding.

Orkem, meanwhile, will move into the lead in the 220,000-tonnes-a-year European market for acrylic glass, which it sells under the name of Altuglas, with a share of 30 per cent. It will also double its market share in the 400,000-tonnes-a-year European market for methyl methacrylate, used as a raw material for acrylic glass as well as in coatings, plastics and lubricants.

Mr Necci said that the disagreements between the Italian Government and Mr Raul Gardini, who controls Montedison, over the creation of Enimont had been solved last week.

"Enimont's problem is entirely an industrial one, not a question of who will be its shareholders in three years or five years or ten years," he said.

Benckiser returns DM119.7m profit

By Haig Simonian in Frankfurt

IN ITS first consolidated group results, Benckiser, the highly acquisitive West German detergents company, yesterday disclosed pre-tax profits of DM119.7m ($60.8m) on sales that rose by 15.4 per cent to DM1.49bn last year.

Adjusted for subsequent purchases and disposals, Benckiser's turnover rose by 25 per cent last year. Profits are harder to judge, as the company published its 1987 profits only on a domestic basis, with a DM2.5m pre-tax loss.

Net profits in 1988 jumped to DM71.5m from just DM831,000 in 1987, despite a steep increase - to DM53.4m from DM12.7m - in interest costs as a result of last year's takeovers.

Sales should reach DM2bn to DM2.2bn this year, according to Mr Peter Harf, Benckiser's chief executive. Mr Harf made no profits forecast for 1989, but said earnings in the first six months had already shown a "clear two-digit percentage increase." Worldwide turnover soared by 32 per cent to DM1.03bn in the first half.

That put Benckiser in a position to make further acquisitions in the European detergents business, with Italy, Spain and Portugal its main targets, he said.

However, he argued that the prices now being demanded by the decreasing number of acquirable companies in the business made an imminent purchase unlikely.

The company emphasised its determination to remain privately held, and said that acquisition finance was readily available from its banks if necessary. However, Mr Manfred Klein, Benckiser's finance director, said there was a strong chance that it would tap the capital markets for the first time this autumn.

Benckiser has raised to 68 per cent its stake in Mira Lanza, the quoted Italian detergents group, in which it bought a 54 per cent share packet from Ferruzzi last year.

Although it was still buying shares on the open market, Mr Harf said Benckiser would not take full control of Mira.

Portugal wins Ford deal

By Peter Wise in Lisbon

FORD Motor Company has reached an agreement with the Portuguese Government to invest more than $130m in a plant producing car radios and other high-technology components. The project will create more than 1,700 jobs in an area south of Lisbon.

Portugal overcame tough competition from Spain and Ireland for the contract, which represents the biggest foreign investment in Portugal since Renault opened a factory there 12 years ago. Ford's decision is a major boost to Portugal's persistent efforts to promote itself as a competitive location for high-technology investment.

The greenfield project will produce radios and other audio components for Ford's car and truck production plants in Europe. Manufacturing is expected to begin in 1992 and full production should be reached by 1996. The investment will be made over seven years. Export earnings are expected to reach $215m by 1993.

Government-funded training schools will produce 600 qualified technicians as well as skilled workers for the site. Other key components Portugal is offering include the building of special roads and providing energy plants.

It is understood that Ford's choice of Portugal reflects its success in cutting red tape and guaranteeing skilled labour.

Outokumpu, Ibercobre link

By Enrique Tessieri in Helsinki

OUTOKUMPU Copper, part of Finland's state-owned Outokumpu group, has acquired a 51 per cent stake in the Spanish copper alloy semi-products company, Iberica del Cobre (Ibercobre).

Under the deal Ibercobre's share capital is to be increased by issuing shares to Outokumpu. This will eventually increase to 80 per cent the Finnish company's ownership of Ibercobre.

Prior to the deal, Outokumpu Copper had a 21 per cent stake in Ibercobre, which last year achieved net sales of Pta 5bn ($180m).

Outokumpu claims the acquisition will turn it into Europe's second-largest producer of copper semi-manufactured products, lifting its output to 305,000 tonnes.

INTERNATIONAL COMPANIES AND FINANCE

Lonrho likely to quiz Bond in court

By Raymond Hughes, Law Courts Correspondent

MR ALAN BOND, head of Australia's troubled Bond empire, is likely to be cross-examined in the High Court in London to find out which of his companies owns about 114m shares in Lonrho, the UK international trading conglomerate.

Lonrho is not satisfied that it has been given correct information about the true beneficial ownership of the shares, and has asked the court for an order freezing them.

The central issue is whether the shares are beneficially owned by Bond group companies or by companies in the Bell group, in which Mr Bond has a controlling interest.

Mr Bond has sworn an affidavit and is among witnesses that Lonrho has been given leave by the court to cross-examine.

In the hearing, which began yesterday and is expected to last throughout this month, Lonrho is complaining about the answers it received to notices it served under section 212 of the 1985 Companies Act requiring information about Bond holdings of its shares.

Lonrho is claiming an order under section 454 of the Act imposing restrictions on dealings in the shares. It is the first time such a claim has come to full trial.

At an earlier hearing Mr Bond and five of his companies undertook not to dispose of the shares, or any interest in them, pending the outcome of the trial. There was a proviso enabling the shares to be charged or transferred to banks or financial institutions as security for the provision of finance.

The case originally related to 95m shares – 21.5 per cent of Lonrho's equity. Yesterday the court was told that, as a result of two bonus issues, the Bond interests now held about 114m shares.

Mr William Stubbs, QC, for Lonrho, also told Sir Nicolas Browne-Wilkinson, Vice-Chancellor – the senior judge of the High Court Chancery Division – that Lonrho had been told that 20.9m of the shares had been charged to Australian Industry Development Corporation. These were registered in the name of Hurstmere Finance, a wholly-owned subsidiary of Bond Corporation Holdings.

Other shares had earlier been charged to American Express and Merrill Lynch.

Mr Stubbs said that the 95m shares had been bought in four tranches in September and October last year. Initially it had been said that the purchaser was Hurstmere, but subsequently Lonrho had been told that the shares had been purchased by Bond Corporation Holdings and vested in Hurstmere.

Later it had been told that that information was given as a result of a mistake and that the real purchaser of all the shares had been Bell.

"That was a very serious matter, because one of the objects of these sections is that there should not be a false market in a company's shares," Mr Stubbs said.

The hearing continues today.

BCH fails to repay loan on time

By Michael Marray in Hong Kong

BOND Corporation Holdings, the debt-laden Australian master company of entrepreneur Mr Alan Bond, has failed to pay back on time most of a HK$400m (US$51.3m) loan from Bond Corporation International (BCIL), its Hong Kong listed subsidiary.

BCIL directors have granted a one-week extension of the repayment date. Meanwhile the Hong Kong Stock Exchange has written to BCIL seeking clarification of the reasons for the delay.

Recently the exchange asked for and received from BCIL an assurance that it would not enter into any more intra-group transactions without consulting its minority shareholders.

The loan, announced on May 25 and made to a wholly owned subsidiary of Bond Corporation, was to have been repaid by June 30 out of a HK$935m special dividend arising from the sale of the Bond Centre office building in Hong Kong. About HK$617m of the dividend is bound for the parent company which owns 66 per cent of BCIL.

According to a BCIL statement yesterday, a delay arose because several Bond creditors were registered as shareholders pursuant to their charges over BCIL shares, and the dividends were paid to them under the local Stamp Duties Ordinance.

Also, a portion of the subsidiary's dividend entitlement "was remitted in error" to Bond Corporation Holdings, the statement said.

An extension has been granted until July 7 for the HK$270m still outstanding on the loan. Until then interest will continue to be charged at Hong Kong interbank offered rate plus 3 per cent.

BCIL directors will meet on Thursday to consider a second special dividend arising from the Bond Centre sale. This, payable to all shareholders, would not require approval in a vote.

The 50 per cent stake in the building was sold for HK$2.26bn to EIE Development of Japan.

BCIL said in the statement that its financial position is sound, that it has no immediate investment plans and that it has surplus funds on hand.

Corona buys BIG stake from FAI Insurances

CORONA Corporation, a Canadian gold company, has bought a 7.4 per cent stake in US-based Bond International Gold (BIG) from FAI Insurances, Reuter reports from Perth.

It has also taken an option with Dallhold Investments, the unlisted Bond family company, to buy a further 20 per cent of BIG.

Corona paid US$7.25 a share for 3.97m BIG shares on Friday, Mr Rodney Adler, FAI chief executive, said yesterday.

Corona will pay $8.25 if it exercises its option. Mr Adler said that the Canadian company had also bought 793,600 BIG warrants at $1.

Mr Michael Cross, managing director of Dallhold, which currently has a 58 per cent stake in BIG, had been looking for a large North American gold mining company to reinforce BIG's position.

"A certain number of people have recommended to Alan [Bond] that he be seen to reduce our dominance in BIG," he said. "We have fielded a number of enquiries . . . and Corona was a good fit."

Mr Cross said that Bell Resources, itself 58 per cent owned by Bond Corporation Holdings, had taken out a put option on the Corona stake in BIG. Under the option Corona can ask Bell Resources to repurchase the BIG shares and warrants during the next 90 days.

He added that Corona had 60 days in which to commit itself to taking the additional stake. Of the stake's relationship to the current BIG share price, he said: "We are only allowed a premium of 15 per cent under Canadian rules. We would have liked a better premium but we wanted a major gold producer on the board."

Adler disposes of 14.9% holding in Goode Durrant

FAI INSURANCES, the Australian group headed by Mr Rodney Adler, has disposed of a 14.9 per cent stake in Goode Durrant, the UK industrial and financial management group, writes Ray Bashford.

The parcel changed hands at 132p a share compared with yesterday's closing price of 134p, up 6p. The disposal price values the stake at £9.57m.

The sale is part of FAI's new investment policy which has taken shape since Mr Adler took over from his father, Mr Larry Adler, who died last year.

Mr Adler signalled his intention last month to reverse his father's policy and greatly reduce UK investments when he sold a 13.2 per cent stake in Pearl Assurance at slightly below £100m.

The Pearl holding was the group's biggest UK investment, although FAI is believed to retain several other small UK holdings of below the disclosable 5 per cent level.

The Goode Durrant shares have been acquired by Winnedael, a Dutch registered company controlled by trusts associated with the Nash family – which has a wide range of international property and industrial investments. Headed by Mr John Nash, an Englishman, the company has investments in Southern Africa – principally South – the US and Europe.

Winnedael held 5.25 per cent before the purchase of the FAI stake, but was forced to place this holding to comply with Bank of England regulations before the deal with the Australian group went through.

As Goode Durrant has banking interests, Winnedael would be prohibited by the Bank from taking more than 15 per cent of the capital without approval.

Oakbridge shares sold

MARUBENI and Toyo Menka, two Japanese trading houses, yesterday announced the acquisition of a 7.5 per cent interest each in Oakbridge, an Australian coal mining company, Kyodo reports from Tokyo.

This makes them the second largest shareholders of Oakbridge, behind Elders Resources which has a 49 per cent stake.

The two Japanese companies acquired new Oakbridge shares from Bankers Trust Australia. These are part of shares issued by Oakbridge in taking over coal mines from Elders Resources.

Marubeni and Toyo Menka said their total purchase price of the new Oakbridge shares was A$10m (US$7.6m) each.

Prior to the recapitalisation, Sumitomo Corporation had a 3.4 per cent interest and Sumitomo Metal Industries a 2.2 per cent stake of Oakbridge. These have now been diluted to 1.6 per cent and 1 per cent respectively.

Oakbridge produces 10m tonnes of coal a year, of which 60 per cent to 70 per cent is shipped to Japan.

Thai Airways enjoys tourist surge

By Our Financial Staff

THAI AIRWAYS International, the country's national carrier which is benefiting from a surge in tourism, yesterday reported pre-tax profits of US$138.2m for the half-year to March.

This was below the $141.7m achieved in the previous first half, but the comparable result had included a $49.3m profit from aircraft sales.

Genting reconstruction approved

GENTING, the Malaysian investment group, has received approval from the country's Foreign Investment Committee and Capital Issues Committee (CIC) for a proposed reconstruction of its resort division, Reuter reports.

The CIC has approved Genting's proposal to sell its gaming, hotel and resort-related activities to a subsidiary called Resort World for 442.8m ringgit (US$163.4m) and the issue of new Resort World shares to Genting and individuals.

NKK to raise Y100bn through share offer

By Our Financial Staff

NKK, A Japanese steelmaker, is to raise nearly Y100bn ($694.4m) through a public share offer this month. The offer represents some 3.6 per cent of its expanded equity.

It said yesterday that the underwritten issue would comprise 120m new shares at the market price – which rose Y25 on the Tokyo Stock Exchange in response, to stand at Y815.

NKK is raising a further Y130bn through the domestic convertible bond market.

Profits of NKK, in line with the rest of the Japanese steel industry, have been rallying strongly since it dipped into the red in 1986-87.

INTERNATIONAL CAPITAL MARKETS

Moody's allots 'not prime' ratings to CP of 7 groups

By Norma Cohen

MOODY'S Investors Service said it has assigned a "not prime" rating to the commercial paper of seven corporations with speculative grade debt to clear up any misconceptions among investors about the credit quality of these assets.

Moody's said it was taking its action in the light of US-based Integrated Resources' default on its US commercial paper and Eurocommercial paper programmes.

The rating agencies have come under criticism in recent weeks for their failure to alert investors to the imminent liquidity crisis at the company that led to the default on $955m in short-term debt. The company is now seeking to restructure those borrowings.

Moody's said that while it had assigned a speculative grade rating to Integrated Resources' long-term debt and had not rated the short-term obligations, it later learned that investors had been under the impression the debt had been or would have been given an investment grade rating.

Mr Thomas McGuire, Moody's director of corporate ratings, said the rating agency would from now on express rating opinions on short-term obligations whether requested by the issuer or not, "particularly in cases where the issuer's risk is not being properly evaluated by the market place."

Mr McGuire also said that while the rating agency had believed that purchasers of Integrated Resources' commercial paper were not only professional investors, some money market funds which sold shares to public retail investors had also been buying the securities.

Moody's is also considering modifying its activities with respect to Eurocommercial paper programmes, although Mr McGuire said that because information on borrowers is less readily available in Europe, the "not prime" rating may be used less frequently.

While Moody's had not rated Integrated Resources' short-term debt, Standard and Poor's, which had also assigned a speculative grade rating to Integrated Resources' long-term borrowings, had assigned an investment grade rating to its commercial paper that was not actually downgraded until the day the company announced its liquidity problems.

Mr McGuire said that borrowers with speculative ratings on their long-term debt should "absolutely not" earn an investment grade rating on their short-term paper. The only circumstance under which a split credit rating of that type might be applied would be in cases where a higher-rated third party had insured or guaranteed the commercial paper.

● The London equities business of Swiss Bank Corporation, which last week announced a severe curtailing of its London equities operation, lost £3.7m in the first five months of this year after a full allocation of all costs.

The bank, responding to reports that the operation has made significant losses this year, said a small gross profit was made in the trading of UK stocks in the same period.

Norway savings banks advance

By Karen Fossli in Oslo

NORWAY's savings banks are continuing to recover from the doldrums of the last two years according to figures released yesterday by the Norwegian Savings Banks Association.

The top 25 banks have posted increased operating profits in the first four months to NKr1.35bn ($189m), or 2.17 per cent of total assets, compared with NKr733m last year.

The Association attributes the rise primarily to a cut in operating costs from 3.07 per cent of total assets in the period compared with 3.14 per cent last year.

TSE launches committee to review admissions

By Robert Thomson in Tokyo

THE TOKYO Stock Exchange decided yesterday to establish a committee to examine means of admitting new members.

These would include two British firms, Barclays de Zoete Wedd (BZW) and James Capel Pacific, which have long been waiting for seats. The TSE said the committee would be formally established later this week, and would then begin reviewing membership proposals, which have been restricted by a shortage of space at the exchange.

The committee is expected to assess the effects of increased computerisation of trading, and to consider introducing a system of second-class membership, allowing newly admitted firms to have representatives on the trading floor but without full voting rights.

Britain has argued strongly in favour of the TSE granting BZW and James Capel seats on the exchange, and officials from the exchange and Japan's Ministry of Finance have indicated that the problem should be solved by next summer.

The two firms missed out in December 1987, when 16 foreign companies were accepted.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 3

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9¾ 95	600	103	103½	+0⅛	+1	8.67
Austria 9½ 93	140	102⅝	103¼	+0¼	+0⅞	8.66
B.F.C.E. 7 92	150	95⅜	95⅞	0	+0⅛	8.84
B.F.C.E. 9¼ 95	150	102⅛	102⅝	+0⅛	+0⅞	8.73
Brit. Tel. Fin. 9¾ 98	250	103⅞	104	0	+0¼	8.78
BP America 9¾ 99	250	104⅛	105	+0¼	+0½	8.98
Canada 9 96	1000	103	103½	+0⅛	+1⅛	8.33
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6¼ 91	80	100⅞	101⅛	0	−0⅛	5.44
Canada 5⅝ 93	80	100⅞	101⅛	0	−0¼	5.34
Eurofima 5 1995	20	97⅝	98	+0⅛	−0⅞	5.43
E.I.B. 4⅞ 93	30	98	98¼	+0⅛	−0¼	5.44
Ireland 5⅛ 93	30	99⅛	99⅝	+0⅛	−0¼	5.30
Norway 5⅛ 95	50	98⅜	98⅞	0	−0¼	5.38
Sweden 4⅝ 93	50	97⅛	97⅞	+0⅛	−0⅛	5.43
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aufleng 5 03	100	[illegible]	[illegible]	[illegible]	[illegible]	5.73
B.F.C.E. 4⅞ 98	200	†91¼	91¾	−0¼	−1	5.93
B.M.W. Fin. Neth. 5 13	150	†88	88½	+0¼	−0⅛	6.30
Britannia B/S. 4¼ 94	100	†91	92	0	−1¼	4.37
CIR. Int. W/W 3 93	125	†94	96	0	+1¼	6.04
Credit Lyonnais 4¾ 00	100	†89⅛	90	−0¼	−0⅛	5.75
E.I.B 4⅝ 98	150	†92	92½	+0¼	+0¼	6.50
Fletcher Chall. 4⅞ 98	150	†89	89¾	0	−1½	5.75
Kobe City 4¼ 98	150	†92	92½	0	−0½	6.25
Leeds Perm. B/S. 4⅛ 95	200	†92½	93½	0	−0¼	6.39
Malaysia 5¼ 98	100	†92¼	92½	−1	+2¼	7.29
Maxwell Comm. Crp. 5 95	150	†89	89½	+0⅝	−1	6.93
Nat. Bk. Hungary 5½ 94	75	†93½	93⅝	−0¼	−1⅛	6.95
Nationwide Ang. B/S. 4 93	200	†91½	92½	+0¼	−0⅛	5.73
Nippon Telg. & Tel. 4¼ 95	200	†92	93	−1¼	−1⅛	6.06
Oesters. Klbk. 5 03	75	†90	90¼	−1½	−1⅞	5.84
Prov. Newfoundland 5 03	150	†91½	92¼	−0¼	−0½	6.26
Thailand 4⅞ 95	200	†91	93	0	0	5.57
World Bank 5 03	150	†94	95	+0½	+0½	[illegible]

Average price change... On day 0 on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Bank 3¼ 04 US	2/89	4296	83⅞	84⅞	+0⅛	19.22
Texas Inst. 2¾ 02 US	1/90	82.87	73	74	−2¼	55.67
W.R. Grace 6¾ 02 US	9/87	42.12	92⅞	93⅞	+0¼	26.35

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Fleming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Sanwa International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation; UBS-Phillips & Drew; S.G. Warburg Securities; Wallman Int.; Wood Gundy

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, July 3, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	62.9160	32.6211	44.5566
Albania	(Lek)	10.2252	6.4819	3.3607	4.5904
Algeria	(Dinar)	11.9891	7.6000	3.9405	5.3823
Andorra	(Fr Fr)	10.3325	6.5499	3.3960	4.6386
	(Sp Peseta)	192.65	122.1236	63.3196	86.4870
Angola	(Kwanza)	46.9155	29.7404	15.4200	21.0619
Antigua	(E Carr $)	4.2350	2.6846	1.3919	1.9012
Argentina	(Austral)	410.945	260.5039	135.0682	184.4870
Aruba	(Florin)	2.8076	1.7797	0.9227	1.2604
Australia	(Aus $)	2.0573	1.3041	0.6761	0.9235
Austria	(Schilling)	21.425	13.5816	7.0419	9.6184
Azores	(Port Escudo)	254.95	161.6164	83.7962	114.4556
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Cty/Africa	(CFA Fr)	516.625	327.4960	169.8027	231.9304
Fr. Guiana	(Local Fr)	10.3325	6.5499	3.3960	4.6386
Fr. Pacific Is	(CFP Fr)	186.00	117.9080	61.1339	83.5016
Gabon	(CFA Fr)	516.625	327.4960	169.8027	231.9304
Gambia	(Dalasi)	9.6463	6.1149	3.1705	4.3305
Germany East	(Ostmark)	3.0425	1.9286	1	1.3658
Germany West	(DMark)	3.0425	1.9286	1	1.3658
Ghana	(Cedi)	575.0	364.5007	188.9893	258.1369
Gibraltar	(Gib £)	1.00	0.6339	0.3286	0.4489
Greece	(Drachma)	261.87	166.0031	86.0706	117.5622

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Greenland	(Danish Krone)	11.8400	7.5055	3.8915	5.3153
Grenada	(E Carr $)	4.2350	2.6846	1.3919	1.9012
Guadaloupe	(Local Fr)	10.3325	6.5499	3.3960	4.6386
Guam	(US $)	1.5775	1	0.5184	0.7081
Guatemala	(Quetzal)	4.3915	2.7838	1.4433	1.9714
Guinea	(Fr)	470.55	298.2884	154.6589	211.2457
Guinea-Bissau	(Peso)	1019.525	646.2916	335.0944	457.6992
Guyana	(Guyanese $)	47.04	29.8193	15.4609	21.1178
Haiti	(Gourde)	7.8425	4.9714	2.5776	3.5207
Honduras	(Lempira)	3.1480	1.9955	1.0346	1.4132
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nigeria	(Naira)	11.2775	7.1489	3.7066	5.0628
Norway	(Nor. Krone)	11.1525	7.0697	3.6655	5.0067
Oman	(Rial Omani)	0.6001	0.3804	0.1972	0.2694
Pakistan	(Pak. Rupee)	33.80	21.4263	11.1092	15.1739
Panama	(Balboa)	1.5775	1	0.5184	0.7081
Papua New Guinea	(Kina)	1.3687	0.8676	0.4498	0.6144
Paraguay	(Guarani)	1805.38	1144.4564	593.3870	810.4960

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Peru	(Inti)	4682.65a	2968.3993	1539.0797	2102.1997
Philippines	(Peso)	34.00	21.5530	11.1750	15.2637
Pitcairn Is	(£ Sterling)	1.00	0.6339	0.3286	0.4489
	(NZ $)	2.7375	1.7353	0.8997	1.2289
Poland	(Zloty)	1309.19	829.9144	430.3007	587.7396
Portugal	(Escudo)	254.95	161.6164	83.7962	114.4556
Puerto Rico	(US $)	1.5775	1	0.5184	0.7081
Qatar	(Riyal)	5.6770	3.5987	1.8658	2.5485
Reunion Is. de la	(F/Fr)	10.3325	6.5499	3.3960	4.6386
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yemen	(Rial)	15.20	9.6354	4.9958	6.8237
Yemen PDR	(Dinar)	0.5380	0.3410	0.1768	0.2415
Yugoslavia	(Dinar)	26210.78	16615.3914	8614.8824	11766.9046
Zaire Rep	(Zaire)	578.75	366.8779	190.2218	259.8204
Zambia	(Kwacha)	24.0	15.2139	7.8882	10.7744
Zimbabwe	($)	3.45	2.1870	1.1339	1.5488

Special Drawing Rights June 30 1989 United Kingdom £1.24375 United States $1.24639 Germany West D Mark 2.43358 Japan Yen179.605 European Currency Unit Rates July 3 1989 United Kingdom £1.46780 United States $1.07031 Germany West D Mark 2.06858 Japan Yen152.305

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, July 3, 1989

INTERNATIONAL CAPITAL MARKETS

French watchdog rebukes managers of mutual funds

By George Graham in Paris

THE COMMISSION des Operations de Bourse (COB), France's stock market regulatory authority, has delivered a stinging rebuke to the managers of Sicavs, or mutual funds.

In its annual report, published yesterday, the COB notes a large number of irregularities in the management of the Sicavs it checked, and complains also of failings in the marketing of Sicavs by two major banks, BNP and CCF.

Paris financiers noted yesterday that the COB had carried out detailed checks on only 11 of France's 772 Sicavs, but that six of these were guilty of at least one infraction of the law.

One fund, GH Matif, managed first by Banque Arjil and then by Paluel Marmont Finance, broke the rules on four counts, including investing 26 per cent of its portfolio in the certificates of deposit of a single bank – two and a half times the legal limit – and running an illegal overdraft.

The COB report adds little detail on the major insider trading investigations it has carried out over the past year, including Pechiney and Société Générale.

Mr Jean Fargé, the commission's chairman, said that the investigation of share purchases in Société Générale was like a "bathyscaphe, which climbs slowly to the surface, stopping for decompression on the way. It is surrounded by frogmen who do not have the same vision of this affair as the COB."

On the other hand, the COB contests Société Générale's handling of its own share purchases in Compagnie Générale d'Electricité, another company privatised under the last Government.

But Mr Farge was also critical of the regulatory structure in which his own commission functions, attacking the "absence of Cartesianism" in its organisation. Noting that the COB had undergone eight reforms in the 22 years of its existence, the most recent just passed by parliament, he described it as "a Sartrian organism, whose existence precedes its essence."

US bonds outperform the rest

By Norma Cohen

INVESTORS who switched their funds into 10-year US Treasuries on January 1 saw returns for the first half of this year far outstrip the performance of any other leading government bond market.

Returns on Canadian government bonds were more modest but still impressive. "In the first half of this year, returns in North American bond markets beat those in all other markets hands down," said Mr Robert Thomas, chief international economist at Midland Montagu Research.

Meanwhile, UK government gilts performed dismally among longer maturities, although cash returns in sterling, at 6.6 per cent, were the second highest of any government bond market. Only Australian cash investments proved superior to those in the UK, with total returns of 8.3 per cent for the first half of this year.

But 10-year gilts, to a dollar-based investor, would have caused losses of 11.8 per cent since the start of the year, partly reflecting the sharp decline in the currency. To a domestic investor, 10-year securities would have yielded a paltry 3.5 per cent.

Bond yields for 10-year US securities have fallen more than 150 basis points to the present 8.10 per cent since they started the year at 9.13 per cent. Bond prices in several currencies slumped sharply in early February, with yields on 10-year US Treasuries rising sharply to about 9¾ per cent. But even when returns are measured from the lower levels seen at the start of the year and before taking into account currency gains, returns on Treasuries this year total 11.9 per cent.

Sterling investors who switched the proceeds of their investments back into their own currency would have had gains of 31.4 per cent, according to Midland Montagu.

In addition to interest rate rises in European countries in the past six months, government bond markets outside North America pale when one considers the returns from the strong dollar.

Mr Jim O'Neill, international economist at Swiss Bank Corp, pointed out that a D-mark investor who had switched to 10-year bonds on January 1 would have total returns of 20.5 per cent, doing only slightly worse than a Japanese investor who would have scored returns of 26 per cent.

Looking ahead, Mr Thomas forecasts that, for the remainder of 1989, North American bond markets will continue to outperform others, with the currency holding ground or gaining in a falling interest rate environment.

However, Mr Thomas suggests that the largest capital gains in North American markets will come in cash investments, which, given the inverted yield curve, already offer handsome returns.

NORTH AMERICAN BOND MARKET RETURNS (%)

Country	Cash	10-yr bond	10-yr bond ($ terms)	10-yr bond (£ terms)
US	4.9	11.9	11.9	31.4
UK	6.6	3.5	-11.8	3.5
Germany	3.0	2.4	-7.7	8.4
Japan	2.3	-3.6	-16.9	-2.4
France	4.4	4.4	-4.8	11.8
Netherlands	3.1	-0.7	-10.0	5.6
Canada	5.7	10.9	10.5	29.7
Australia	8.3	3.3	-10.0	5.7
Switzerland	2.7	-7.3	-17.2	-2.8

Source: Midland Montagu Research

Marubeni launches two issues worth $1.5bn

By Katharine Campbell

THE TOKYO stock market may have passed one of its quietest days for a long time, with a paltry turnover of just 300m shares, but this did not dampen Japanese equity-related Eurobond activity later in the day, when a total of $1.7bn worth of dollar bonds with warrants attached was absorbed into the market.

The vast majority was for Marubeni, a trading company, which launched two issues for a total of $1.5bn. The four-year deal was a global issue, with $300m targeted towards the Asian market and $500m for Europe, led respectively by Nikko Securities and Daiwa Europe.

The coupon, to be fixed on July 6 was indicated at 4⅝ per cent. Early afternoon Nikko Securities were quoting a bid price of a ½ per cent discount to par, which firmed later to less ⅛ as the market "settled

In the five-year range, Marubeni also brought $700m worth of paper at an indicated coupon of 5.00 per cent. It was trading around par bid, according to lead manager Yamaichi International, which had yesterday also performed an international share issue of 45m shares worth $275m for the company.

Meanwhile, Hino Motors, Japan's leading truck maker, came in with a $200m equity warrant bond carrying the guarantee of Mitsui Bank. The coupon, indicated at 5⅛ per cent, was quoted by lead manager Nikko Securities at a discount of ¾ per cent bid to its issue price, comfortably within fees.

Yamaichi also announced that the coupon on publishers Gakken's $100m four-year deal was cut to 4⅛ per cent. The exercise price of the warrants was fixed at Y1,804, which reflects a 2.5 per cent premium over yesterday's closing price of the company's shares.

In Germany, Merrill Lynch Bank took advantage of the Bundesbank's lifting its ban on D-Mark bonds under five years to bring a two-year currency-linked deal for Finnish Export Credit. Tailored for domestic retail investors, redemption is – for the first time in this market – linked to the peseta, the neophyte member of the European Monetary System. While the bond bears a seemingly irresistible 15 per cent coupon, investors are of course taking a punt on the D-Mark/peseta exchange rate. The size of the issue has yet to be fixed, the lead manager said.

Dealers were also expecting a jumbo DM-denominated bond for the World Bank to emerge.

Meanwhile, the holiday spirit infected the dollar sector, where trading was thin. And with the US closed for Independence Day today, dealers were expecting little new issuance until the end of the week.

Spreads on Eurodollar bonds have been widening during the US Treasury market's rally of recent weeks. The yield on 30-year paper has fallen nearly a point in two months, while Euros, as is customary in steep rallies, have failed to keep pace.

While spreads on top-quality sovereign names have generally held up, the most recent issues, although perfectly good names in themselves, have suffered because they are somewhat less liquid until they are fully placed.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Marubeni Corp.♦	700	(5)	100	1994	2¼/1½	Yamaichi Int. (Europe)
Marubeni Corp.♦	500	(4⅝)	100	1993	2¼/1½	Daiwa Europe
Marubeni Corp.♦	300	(4⅝)	100	1993	2¼/1½	Nikko Secs.
Hino Motors♦	200	(5⅛)	100	1994	2¼/1½	Nikko Secs. (Europe)
Gakken Co.(c)♦◆	100	4⅛	100	1993	2¼/1½	Yamaichi Int. (Europe)
D-MARKS						
Finnish Export Credit(a)◆	(a)	15	100	1991	1¼/⅞	Merrill Lynch Bank
SWISS FRANCS						
Ohbayashi Road Con.(b)**§◆	70	⅝	100	1994	1⅝	Nomura Bank(Switzerland)
YEN						
IFV Power Co.(d)‡◆	8bn	(d)	100.10	1994	20/10bp	LTCB Int.

**Private placement. ♦With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Issue amount not yet decided. Redemption linked to Peseta/DM exchange rate at maturity. b) Coupon cut by ⅛ from indication. Yield to put 4.076%. c) Coupon cut by ⅜ from indication. d) Bid less 30bp yen/yen 5-year swap rate.

Japanese bonds rally despite pointer from Tokyo poll

By Norma Cohen and Stephen Fidler in London and Roderick Oram in New York

JAPANESE government bonds rallied sharply in thin, largely speculative trading in London, shrugging off news of the ruling Liberal Democratic Party's trouncing in Tokyo's municipal elections.

Dealers said that the rally was fuelled by relief that the bad news was out of the way.

GOVERNMENT BONDS

They pointed out that the demographics of Tokyo voters are not duplicated around the country, so the next round of elections for the upper house of the Diet may not duplicate the LDP's poor showing.

Trading was at a virtual standstill until election results were released, but yields fell sharply thereafter. The yield on the benchmark Japanese government 111 bond fell to about 5.41/40 per cent from Friday's closing in London at about 5.49/48 per cent.

■ WEAKENED by some profit-taking and a lower dollar, prices on longer-maturity US bonds drifted lower yesterday in quiet trading before the July 4 holiday.

However, prices picked up marginally at the short end of the market when the latest monthly figures from purchasing managers indicated further sluggishness in the economy.

Shortly before the market closed early for today's Independence Day holiday, the Treasury's benchmark 30-year bond was down ⅜ of a point at 109⅛, yielding 8.06 per cent. In contrast, the new two-year 8.25 per cent note was up ¼ of a point at 100⅞ on a when-issued basis, yielding 7.97 per cent. The bond equivalent yields on Treasury bills followed the same trend, slipping some four basis points with, for example, three-month bills at 8.20 per cent.

The June reading of purchasing managers' optimism was 48.8 per cent, down from 49.7 per cent in May, and the lowest level since July 1986. A reading of below 50 per cent indicates that the economy is slowing, while above 50 per cent indicates accelerating growth.

The weakness of the dollar was attributed to political developments in Tokyo. By early afternoon in New York, the dollar was trading at Y141.20 and DM1.9275, down from overnight highs in Japan of Y144.95 and DM1.9605, but slightly above lows in Europe of Y141.10 and DM1.9270.

■ UK GOVERNMENT bonds closed higher, helped partly by the firming of sterling against a weaker US dollar.

Sterling's trade-weighted index, compiled by the Bank of England, finished at 90.8, up on the opening 90.6 and well above the Friday close of 90.2.

However, dealers said that the rally of ½ point or more was due mainly to the technical shortage of gilts and the worry that prices can move significantly in the current market on low volume.

■ AGAINST the background of a quiet secondary market, the French Treasury announced an offering of FFr7bn-9bn worth of bonds on Thursday.

Three issues will be on offer: the 10-year benchmark, the 8⅛ per cent issue of 1999, the 8½ per cent of 2019, and a variable rate issue due 2001. At least Ecu200m of the 8¼ per cent 1997 Ecu bonds will also be offered.

■ IN WEST Germany, the terms on the new Federal bond issue were announced: DM4bn for 10 years carrying a 6¾ per cent coupon at a price of 100¼ – in line with expectations.

Foreign demand for the issue was reportedly very high.

In the secondary market, government bond prices ended mostly 15 to 25 basis points higher.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-27	+11/32	11.27	11.64	11.37
		9.750	1/98	95-30	+18/32	10.48	10.80	10.70
		9.000	10/08	96-23	+27/32	9.48	9.75	9.70
US TREASURY *		9.125	5/99	107-01	+2/32	8.07	8.17	8.42
		8.875	2/19	109-04	+4/32	8.06	8.14	8.46
JAPAN	No 111	4.600	6/98	95.1093	+0.401	5.41	5.42	5.38
	No 2	5.700	3/07	105.1933	+0.465	5.14	5.15	5.12
GERMANY		7.000	2/99	102.3000	+0.360	6.66	6.70	6.67
FRANCE	BTAN	8.000	1/94	96.4794	+0.195	8.95	8.84	8.84
	OAT	8.125	5/99	98.0200	-0.120	8.73	8.60	8.76
CANADA *		10.250	12/98	106.1250	+0.250	9.26	9.34	9.54
NETHERLANDS		7.000	3/99	99.1250	+0.130	7.12	7.13	7.35
AUSTRALIA		12.000	7/99	92.2252	+0.179	13.44	13.48	13.80

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Jul 3 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Jun 30 Index No.	Thu Jun 29 Index No.	Wed Jun 28 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (206)	956.11	+0.4	11.05	4.18	11.12	15.85	952.10	962.66	969.66	790.11
2	Building Materials (30)	1185.75	+0.4	11.94	4.40	10.35	25.70	1180.66	1193.22	1197.80	1002.35
3	Contracting, Construction (37)	1605.45	+0.5	14.64	4.37	8.96	32.37	1596.91	1620.99	1628.73	1593.98
4	Electricals (9)	2824.35	+1.3	8.45	4.08	14.60	50.60	2788.08	2815.93	2851.34	2072.88
5	Electronics (30)	2182.12	-0.4	9.05	3.40	14.42	23.92	2190.93	2217.76	2227.67	1714.44
6	Mechanical Engineering (54)	526.99	+0.7	10.17	4.05	12.10	8.48	523.40	529.81	535.04	410.52
8	Metals and Metal Forming (6)	512.57	+0.7	19.96	5.81	5.50	3.02	509.05	516.40	522.17	474.98
9	Motors (17)	325.76	+0.9	11.37	4.66	10.33	6.83	323.00	326.53	329.47	279.29
10	Other Industrial Materials (23)	1643.97	+0.7	9.20	4.24	12.99	30.21	1633.10	1642.60	1659.48	1316.61
21	CONSUMER GROUP (187)	1232.55	+0.7	8.96	3.66	13.97	19.18	1224.23	1237.63	1250.48	1093.28
22	Brewers and Distillers (22)	1349.37	+0.9	10.07	3.59	12.48	19.65	1337.36	1355.84	1368.40	1118.64
25	Food Manufacturing (20)	1099.58	+0.5	9.24	3.80	13.55	18.43	1094.25	1099.86	1105.25	985.36
26	Food Retailing (15)	2346.49	+0.7	8.61	3.25	15.25	25.59	2330.22	2347.74	2367.25	2025.25
27	Health and Household (14)	2233.84	+0.8	6.64	2.66	17.10	22.00	2216.19	2259.46	2297.53	1864.56
29	Leisure (33)	1651.19	+0.5	7.52	3.38	16.66	28.79	1642.63	1659.44	1669.74	1335.55
31	Packaging & Paper (15)	564.17	+0.7	10.30	4.35	12.28	8.30	560.35	562.10	565.30	522.58
32	Publishing & Printing (19)	3524.45	+0.5	8.77	4.72	14.39	71.00	3505.74	3525.66	3569.55	3413.00
34	Stores (34)	815.27	+0.7	11.12	4.42	11.76	16.19	809.46	818.53	829.89	808.63
35	Textiles (15)	539.47	+0.4	11.03	5.38	10.85	14.97	537.56	538.76	542.39	601.58
40	OTHER GROUPS (93)	1116.57	+0.4	10.22	4.21	11.90	14.44	1112.36	1131.07	1143.65	912.64
41	Agencies (17)	1374.54	-0.5	7.31	2.37	16.94	15.02	1380.86	1407.60	1421.89	1171.11
42	Chemicals (22)	1282.67	+0.4	11.11	4.65	10.61	26.60	1277.66	1291.70	1317.46	1103.60
43	Conglomerates (13)	1646.53	+0.7	10.23	4.93	11.52	26.22	1635.11	1656.58	1669.61	1190.50
45	Transport (13)	2452.32	+0.6	8.73	3.68	14.87	39.22	2437.98	2465.46	2482.67	1987.68
47	Telephone Networks (2)	1063.57	+0.1	11.73	4.67	11.06	2.76	1062.51	1092.89	1113.80	1082.30
48	Miscellaneous (26)	1661.69	+0.6	9.58	3.58	11.84	23.85	1651.86	1674.38	1672.02	1181.08
49	INDUSTRIAL GROUP (486)	1148.46	+0.5	9.89	3.96	12.47	17.33	1142.49	1156.95	1168.21	977.03
51	Oil & Gas (14)	2129.64	+1.5	9.98	5.25	13.32	52.03	2098.35	2122.01	2155.12	1803.14
59	500 SHARE INDEX (500)	1231.31	+0.7	9.91	4.13	12.58	28.18	1223.34	1238.59	1251.62	1047.18
61	FINANCIAL GROUP (124)	729.69	+0.8	–	5.40	–	17.86	724.17	732.58	741.98	705.09
62	Banks (8)	716.99	+0.7	24.63	6.70	5.33	21.71	712.31	725.60	742.58	675.87
65	Insurance (Life) (8)	1068.32	+1.7	–	5.59	–	29.86	1050.57	1058.61	1068.22	1051.53
66	Insurance (Composite) (7)	573.76	+0.8	–	6.27	–	16.75	569.21	578.05	584.54	547.37
67	Insurance (Brokers) (7)	966.35	+1.1	7.81	6.49	17.21	31.63	955.37	970.78	980.35	998.50
68	Merchant Banks (11)	331.07	-0.3	–	4.69	–	7.30	332.06	334.41	335.17	355.43
69	Property (52)	1305.33	+0.7	6.38	2.93	19.99	16.19	1296.15	1302.00	1314.99	1219.20
70	Other Financial (31)	358.75	+0.4	11.56	6.88	11.01	8.59	357.37	359.89	356.47	387.69
71	Investment Trusts (69)	1156.76	+0.6	–	2.83	–	14.72	1149.69	1158.78	1167.84	910.75
81	Mining Finance (2)	656.88	-0.3	8.70	3.91	12.68	10.45	658.47	661.24	664.82	521.13
91	Overseas Traders (8)	1326.52	+0.6	11.27	5.59	10.08	35.07	1318.54	1326.78	1334.14	1165.15
99	ALL-SHARE INDEX (703)	1108.83	+0.6	–	4.28	–	19.41	1101.68	1114.89	1126.69	958.24

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 30	Jun 29	Jun 28	Jun 27	Jun 26	Year ago
FT-SE 100 SHARE INDEX♦	2165.6	+14.6	2167.0	2154.9	2151.0	2182.0	2209.4	2206.4	2179.6	1848.0

FIXED INTEREST

	PRICE INDICES	Mon Jul 3	Day's change %	Fri Jun 30	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.37	+0.27	117.05	–	6.18
2	5-15 years	131.56	+0.58	130.80	–	6.96
3	Over 15 years	142.77	+0.67	141.82	–	7.09
4	Irredeemables	164.58	+0.87	163.16	–	7.32
5	All stocks	129.67	+0.49	129.04	–	6.81
	Index-Linked					
6	5 years	136.41	+0.26	136.05	–	1.36
7	Over 5 years	134.24	+0.39	133.72	–	1.88
8	All stocks	134.29	+0.38	133.78	–	1.82
9	Debentures & Loans	112.88	+0.06	112.88	0.07	5.97
10	Preference	87.75	+0.23	87.64	0.09	3.20

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jul 3	Fri Jun 30	Year ago (approx.)
	British Government				
1	Low	5 years	10.05	10.07	9.50
2	Coupons	15 years	9.40	9.48	9.55
3		25 years	9.25	9.33	9.33
4	Medium	5 years	10.85	10.97	10.00
5	Coupons	15 years	9.88	9.96	9.78
6		25 years	9.45	9.53	9.55
7	High	5 years	10.96	11.09	10.06
8	Coupons	15 years	10.09	10.18	9.94
9		25 years	9.64	9.72	9.62
10	Irredeemables†		9.28	9.37	9.61
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.77	3.84	2.73
12	Inflation rate 5%	Over 5 yrs.	3.71	3.73	3.87
13	Inflation rate 10%	5 yrs.	3.08	3.07	1.74
14	Inflation rate 10%	Over 5 yrs.	3.54	3.56	3.71
15	Debs &	5 years	11.97	12.00	10.93
16	Loans	15 years	11.65	11.68	10.98
17		25 years	11.33	11.35	10.86
18	Preference†		10.29	10.32	9.58

♦Opening index 2154.9; 10 am 2159.4; 11 am 2160.6; Noon 2162.7; 1 pm 2163.7; 2 pm 2164.8; 3 pm 2161.9; 3.30 pm 2163.3; 4 pm 2164.9 (a) 11.27am (b) 9.00am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. CONSTITUENT CHANGES: UEI (5) has been deleted and replaced by Bardon Group (2). NAME CHANGE: Sun Alliance & London Insurance (66) has become Sun Alliance Group.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+or-
[illegible]							
61	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Nil	10/8	28pm	13pm	Global Group 10p	20pm	+2
78	Nil	16/8	27pm	9pm	Midland & Scottish Resources	26pm	+5
35	Nil	–	8pm	5pm	Panfida Grp. 25p	8pm	
35	Nil	–	7pm	5pm	Do. (Existing Offer) 25p	6pm	
220	Nil	7/8	20pm	8pm	Plaxton Group	8pm	-5
435	Nil	4/8	74pm	49pm	RTZ 10p	49pm	-5

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other official estimates for 1989. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. § Offered to holders of ordinary shares as a "rights". † Introduction. §Placing price. †† Reintroduction. ‡ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ● Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	98	0	8
Corporations, Dominion and Foreign Bonds	11	0	30
Industrials	519	283	788
Financial and Properties	280	66	313
Oils	32	15	47
Plantations	3	0	8
Mines	30	44	100
Others	54	100	95
Totals	1,027	508	1,389

TRADITIONAL OPTIONS

- First Dealings Jun 26
- Last Dealings Jul 7
- Last Declarations Sep 28
- For settlement Sep 9

For rate indications see end of London Share Service

Calls in Tozer Kemsley, RHM, Business Technology, T Cowie, Midland & Scottish, Medirace, Bula Resources, Suter, Glamar, Atlantic Resources, Rolls-Royce, First Charlotte, Storehouse, Inveresk West, Johnson Matthey, Wardle Storeys and Ferranti. Put in Polly Peck.

Puts in Marley, Norfolk Capital, Ramco, Bullers, Butte Mining.

LONDON TRADED OPTIONS

DEALINGS overall on the London Traded Options Market yesterday were modest in total, but Boots caught attention on the back of its offer for Ward White, as Boots' underlying price fell 21 points on the day to 269p, with market concern apparent about the relative worth of the two companies.

Total business in the options market came to no more than 30,256 contracts, consisting of 18,821 calls and 11,435 puts. The business in Boots alone attracted 2,609 contracts, made up of 1,472 calls and 1,137 puts.

The traded options market interest might have ended with the Boots' business, had it not been for the extension of options contracts in the FT-SE 100 index to 12 months (June, 1990), from the earlier September, latest expiry. It seems clear that the unsettled state of the equity market, the fixed interest rate market, the relationship of the UK with the EMS and allied factors combined in the decision to introduce a longer interest rate option. In the event, there was little immediate response. There were 900 contracts traded in the October 2150 calls, all opening, and not a lot else besides.

The index recovered 14.6 points on the day to 2,165.6, helped by sterling regaining some ground, and by some softening of UK interest rates. Take away the October calls in the index and there were few features, if 1,025 contracts in the July 2,250 calls bringing an opening of interest of 91 contracts to 2,682 is excluded.

Plessey caught attention, against the background of the idea that the GEC/Siemens bid might be dismantled. It attracted 1,588 contracts, comprised of 377 calls and 1,211 puts. There was closing of interest on call and put sides, without striking interest being shown in any series.

Stocks recently moved towards the private sector attracted a good deal of the day's business, with British Steel seeing 1,941 contracts, made up of 880 calls and 1,061 puts; British Petroleum 1,715 contracts, consisting of 1,715 calls and no puts; and British Telecom 1,696 contracts.

Other stocks to attract options attention were Scottish & Newcastle, BTR and BAT Industries.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*455)	420	40	56	61	1½	6	11
	460	8	26	37	13	20	25
	500	2½	9½	19	48	49	52
Brit. Airways (*205)	180	27	34	37	1	2	3½
	200	9	18	25	3	7	9
[illegible]							

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Storehouse (*151)	140	15	23	26	4	6	8
	160	6½	11	16	16	17	18
Trafalgar (*351)	347	12	28	33	7	13	19
	377	3	14	18	28	30	38
[illegible]							

Option		Calls Jul	Calls Sep	Calls Nov	Puts Jul	Puts Sep	Puts Nov
ASDA Grp. (*179)	160	25	28	32	2	3½	4½
	180	8	14	18	7	10	12
Gateway (*238)	220	20	20	21	1	1	1½
	240	4	5	5	6	6	6
[illegible]							

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UK COMPANY NEWS

Profits expand by 15% to £35m but caution given on year results

FNFC in line with expectations

By David Waller

FIRST NATIONAL Finance Corporation, a company which straddles residential property development and consumer credit and thus could be expected to suffer from Mr Nigel Lawson's anti-inflation tactics, yesterday reported a 15 per cent increase in pre-tax profits for the six months to the end of April this year.

Profits for the half-year climbed from £30.54m to £35.08m, in line with City expectations. But the shares slipped against the trend of the market, mainly because of a cautious statement from the company to the effect that "prevailing economic conditions [were] not conducive to achieving equivalent growth for the full year".

Mr Richard Langdon, chairman, stressed that this did not mean that FNFC's profits would be down on the £68.7m made in the year to the end of October 1988. It was just that the 15 per cent advance over the first half was not indicative of the rate of growth for the year as a whole, he said. Nevertheless, the shares dropped 4p to 234p.

Mr Langdon was emphatic that the company's business was counter-cyclical, insofar as some aspects would do well in an era of high interest rates while others would do not so well. He pointed to the performance in the consumer credit division, where profits went up from £20.3m to £23.37m despite the surging cost of money.

The chairman explained that there had been a dramatic reduction in the volume of "first mortgage" business: where before FNFC might have lent £4m a week it was now lending only half that. (First mortgages describe all home-loans when the lender has first charge over the house, not just loans to first time-buyers).

But this was offset by second mortgage business, where FNFC is a UK market leader and in loans for home improvement. In both cases, volumes were up over the period, reflecting a trend toward debt consolidation on the part of those who have borrowed too much on credit cards a tendency to upgrade existing accommodation rather than move up the property ladder as in the past.

FNFC's property division – evenly split between residential and commercial – reported profits up from £6.17m to £6.72m, with 70 or so house sales completed. FNFC said that – contrary to expectations – prices and demand for residential properties had held up over the first half, although it looked unlikely that sales for the year would equal the 300 sold in 1987-88.

Commercial lending – mainly to small and medium-sized public companies – increased profits from £5.74m to £7.12m. FNFC said that the figure had benefited from higher interest rates, and that there was no apparent faltering of demand.

There was a £235,000 contribution from insurance broking whilst central interest costs rose from £1.68m to £2.36m. Earnings per share (fully diluted) climbed by 8.5 per cent from 13.8p to 14.9p, reflecting a tax charge up from £7.5m to £10m. The interim dividend is 4.5p, up from 3.5p.

See Lex

Profits fall 55% to £5m at Hogg Robinson

THE EFFECTS of rising interest rates, particularly on the residential housing market, were blamed by Hogg Robinson for a fall into losses in the second half of the year ended March 31.

At six months, the travel, transport, financial and property services group reported an increase in pre-tax profits to £9.51m (£8.09m) but the full year showed a 55 per cent fall from £11.04m to £5m.

Much of the downturn was attributed to property services where interim operating profits of £1.7m turned into a full-year loss of £2.2m. Directors said confidence in the market had been lacking since October and residential sales had fallen by up to 50 per cent.

Towards the end of the year Hogg sold 60 per cent of the division to Sun Alliance, the insurance group.

Other divisions remained in profit with the transport section achieving record operating profits of £2.96m (£2.3m). Commercial air freight showed excellent growth, directors said, and the acquisition of Cargoways had added to its presence in this area.

Profits in the travel division fell to £3m (£6.7m). This was mainly due to a decline in the package holiday market caused by the squeeze on disposable income. In addition, financial services did not fulfil early promise and profits fell to £1.4m (£2.1m).

Turnover for the year rose 14 per cent to £99.46m (£86.84m) and after a tax charge of £2.06m (£3.84m) earnings per share came out at 4.28p (12p).

A maintained final dividend of 2.7p is being recommended for a raised total of 4.7p (4.5p).

There was an extraordinary profit of £550,000 (£1.2m debit) relating to the sale of five branches of the property services chain.

Hogg's shares lost 1p on the day to close at 148p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Beckenham ♦ ....int	1.5	Aug 14	1	-	2.5
Brown & Tawse ....fin	6.65†	Aug 8	5.6	9.5	8
Carclo Eng ....fin	4.55	Sept 8	3.6	5.9	4.7
Carron Phoenix §....int	1.33	-	1.33	-	4
Embassy Prop § ....fin	2.3	Aug 21	-	2.3	1.2
Farepak § ....fin	1.575	-	-	1.575	-
FNFC ....int	4.5	Aug 23	3.5	-	11.5
FSM § ....fin	3.5	-	1.5	5	2.5
Gt Western Res A....int	2☆	Aug 14	2	–	5
B....int	2.3☆	Aug 14	2.3	–	6.45
Hogg Robinson ....fin	2.7	Aug 24	2.7	4.7	4.5
Lees (John J) ....fin	1.25	-	1.25	2	1.875
Nobo Group ....fin	4.4	Oct 2	3.52	6.6	5.28
Pathfinders § ....fin	0.4	Aug 11	0.292‡‡	0.7	0.292
Stirling Group ....fin	0.85	-	0.85	1.35	1.35
Syltone ....fin	9.5†	Oct 4	7.5	13.5	11.5
Textured Jersey ....fin	4.5	-	4.5	7	7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡‡For 15 months. ☆Gross.

Scottish & Newcastle questioned on Thistle

By Ray Bashford

THE STOCK Exchange yesterday contacted Scottish & Newcastle Breweries following several reports that the company was attempting to dispose of the Thistle hotel chain.

Mr Alick Rankin, S&N's chief executive, declined to comment on the reports but confirmed that the Stock Exchange had made inquiries in an attempt to clarify the situation after two weeks of speculation.

The company is expected to announce details today both of the planned Thistle deal and also another move into the leisure industry through the purchase of a controlling stake in Center Parcs, a Dutch leisure park operator. S&N has timed the Dutch deal to coincide with the announcement of its annual results.

Danae Investment

Danae Investment Trust made net revenue of £514,044 (£446,121) for the year to May 31 1989. Earnings per share were 7.29p (6.36p) and the final dividend 4.125p (3.75p) making a total of 7.125p (6.305p).

Carclo up to £9.17m but warns on margins

By Vanessa Houlder

CARCLO ENGINEERING yesterday announced a 13 per cent rise in pre-tax profits from £8.12m to £9.17m for the year to March 31.

Mr John Ewart, chairman, said that the current order book was similar to that of a year ago. However, he warned that profit margins had begun to reflect a more competitive environment which was making it difficult to pass higher costs onto customers.

In addition, SSAP 24 would increase the pension charge by about £1.4m in the current year, he said, depressing pre-tax profits by that amount.

Carclo's star performer was card clothing which increased profits 43 per cent to £3.66m as a result of improved manufacturing methods and good worldwide demand.

Profits in the wire division fell 11 per cent to £1.82m as a result of a first half loss at Bruntons due to a delay in obtaining replacement parts. The loss was more than offset by a return to profit in the second half.

General engineering also increased profits by 11 per cent, to £1.93m, although margins dropped as a result of the higher copper price.

The Woodhead division had flat profits of £2.66m, as a generally strong performance was offset by a move into loss by RSR, a vehicle replacement parts business. RSR's future is under review, said Mr Ewart.

Turnover increased from £101.92m to £108.78m. Earnings per share rose to 15.5p (13.5p). A recommended final dividend of 4.55p gives a total of 5.9p (4.7p).

● **COMMENT**

Carclo has an uphill task this year. The economic uncertainty threatens to put pressure on its margins at the same time as it has to contend with SSAP 24 slicing pre-tax profits. Furthermore, having squeezed such an excellent result out of its mature card-clothing business, further efficiency advances may be harder to achieve. Thus, although Carclo has strong cash flow and a good spread of high margin businesses, it is hard to be enthusiastic about the shares. Analysts are estimating profits of about £8m this year, which would return Carclo to 1988-style earnings of 13.5p per share. That would put the shares – which yesterday continued this year's downward trend by falling 8p to 139p – on a p/e of 10. At that level, there may be better value elsewhere, although any downside should be limited by a prospective yield of over 6 per cent.

Steetley takes Callet for £40m

Steetley, the UK aggregates company, is to buy 75 per cent of the Callet group, a family-owned French quarrying and ready mixed concrete business, for FFr407m(£39.53m).

The acquisition will reinforce the position of Steetley's French subsidiary Garon as the country's largest aggregates company. It coincides with a £20.7m share placing on the French market.

Mr David Donne, Steetley's chairman, said his company had been expanding rapidly in France over the last five years, and placing 4.75m shares at 436p demonstrated his commitment to the market.

Callet has interests in 29 quarries, 17 ready mixed concrete plants, six coated roadstone works and five prefabricated concrete works.

Mr Richard Miles, Steetley's managing director, said that the acquisition made his group, which had been neck and neck with Ciments Francais, decisively the largest aggregates producer in France.

Callet made net profits of FFr19.8m last year on sales of FFr510.6m, and its net asset value is estimated at FFr90.7m. Steetley is deferring payment of FFr100m of the purchase price for one year.

Plessey shares drop as hostile GEC/Siemens takeover falters

By Terry Dodsworth, Industrial Editor

SHARES in Plessey, the UK electronics group, fell sharply yesterday when the company indicated that it might win its dogged eight-month battle against the hostile takeover bid from General Electric Company and Siemens of West Germany.

The Plessey statement confirmed that talks had begun with the bidding consortium over a possible compromise that would involve the sale of its 50 per cent holding in GPT, the telecommunications manufacturing group which it owns jointly with GEC. Proposals on such a deal might be ready later this week.

The statement, along with confirmation from Siemens that it was involved in the discussions, sent the Plessey share price in a downward spiral as investors took a more pessimistic view over the possibility of a bid.

At the close of trading, Plessey's shares stood at 236p, down 17p on the day, and well below the price of 245p at which the GEC/Siemens consortium last bought stock in the market. GEC's shares dipped by 1.5p to 253.5p.

Despite this sudden change of sentiment by Plessey, after a long period in which the share price has stood on around 260p in expectation of an offer substantially above that figure, there was a great deal of confusion among analysts throughout the day.

The Siemens statement emphasised that the consortium was trying to move ahead at present on a twin track, talking with Plessey about a possible deal on GPT, but also continuing discussions with the Government over the terms under which it could make a bid for Plessey.

The decision to look for a peaceful solution with Plessey has been caused by delays in negotiating undertakings that would protect British national security and competition in the defence electronics industry if the bid went through.

But Government and consortium officials made it clear yesterday that these discussions have not broken down definitively.

Although the Ministry of Defence, the main negotiating partner for the consortium, has adopted a tough line on the undertakings, there is a strong possibility that it could have firm proposals on an agreement with the bidding consortium this week or next.

If these were acceptable to GEC/Siemens, their preferred option would be to make a full bid for Plessey.

Nevertheless, Plessey executives indicated yesterday that the talks with GEC were going ahead smoothly in an amicable atmosphere, and there was a pronounced mood of optimism in the Plessey camp about the possibility of a deal.

The MoD is also believed to prefer jettisoning the proposed takeover in favour of building another strong defence company in Britain to compete with GEC's Marconi subsidiary. In the past the Ministry has talked of creating "twin pillars" that would be capable of providing effective competition within the UK defence industry, while large enough to push through constructive alliances with overseas defence companies.

See Lex

Brown & Tawse boosted 28%

By John Thornhill

THE REVIVING fortunes of British Steel helped Brown & Tawse Group, the distributor of steel and pipeline products, record a 28 per cent increase in pre-tax profits from £7.52m to £9.6m for the year to March 31.

B&T said it derived great satisfaction and benefit from British Steel's technological and financial recovery, as it is B&T's largest single supplier of steel tubes, stainless steel and structural sections.

Mr Gilbert Black, chairman, said: "Our trading relationship with such a leading world producer can only serve to strengthen our market position."

B&T experienced strong demand throughout the year across its product range, but especially for its steel stockholding and stainless steel products.

Turnover grew 17 per cent to £165.49m (£141.59m) but a 48 per cent rise in interest payments to £1.87m (£1.26m) dampened further profit growth.

In order to manage its wider range of activities, the group has strengthened its board structure and split its businesses into two divisions - Brown & Tawse Ltd and special products.

Brown & Tawse Ltd contributed operating profits of £6.28m (£4.77m) on turnover of £112.99m (£100.51m). The special products division saw a similar rate of expansion in operating profits, recording £5.19m (£4.01m) on turnover of £52.5m (£41.09m).

In April this year, B&T bought Jay Fasteners, a distributor of bolts, nuts, screws and specialist fasteners, for £9.7m, and said it wanted to expand further in this market.

A proposed final dividend of 6.65p brings payments for the year to 9.5p (8p). Earnings per share rose 27 per cent to 21.6p (17p).

● **COMMENT**

Last year saw steady growth and improving margins, but Mr Gilbert says B&T is in the lap of whatever gods determine the general state of the economy. B&T has not yet seen any downturn in its supplies to the construction and manufacturing industries; indeed sales are currently buoyant and ahead of last year's figures. It may be that the economic slowdown, which has already afflicted the retail sector, has not fed its way through to heavy manufacturing industries, or it could be that such industries will yet prove to be immune to any tightening. But a degree of caution about the continued buoyancy of B&T's markets in the longer term is justified. Nevertheless, this year, Jay Fasteners will help boost profits and other acquisitions may yet be in the offing, although the increased number of shares issued to pay for Jay may slow earnings growth to some extent. Pre-tax profits of about£12.5m look in sight, putting B&T on a prospective multiple of about 9. That probably represents a reasonable evaluation of B&T's prospects for the forseeable future.

Great Western Res chief receives offer for shares

By John Ridding

MR DAN Pena, chairman of Great Western Resources, the US-based coal, oil and gas company listed in London, has received an offer for the 43.5 per cent of GWR's voting shares which he controls.

He described the offer from Mr Lawrence Hockey-Sweeney, chairman of Aviva Petroleum, which he claimed had been priced at 160p per share, as wholly inadequate. Yesterday, GWR's shares rose 35p to 145p.

The offer coincided with the announcement of a sharp fall in pre-tax profits at GWR, from $7.4m (£4.8m) to $1.7m for the six months to March 31.

Mr Hockey-Sweeney confirmed that he had met Mr Pena and had made an offer but at a price less than the 160p per share quoted by Mr Pena.

He said that Aviva, which he took over at the end of 1988, and which earlier this year bought Viking Resources Trust, was "in good financial shape and definitely looking for acquisitions". But he said no general offer had been made to GWR holders.

GWR's board holds a majority of the voting A shares but the Kuwait Investment Office holds more than 90 per cent of the B shares and all of the £35m convertible issue. On conversion, these shares would dilute the board's holding of A shares to a minority.

According to GWR, the fall in profits was largely the result of a pricing dispute concerning one of its coal contracts and a fall in exceptional contributions from $2.02m, to $254,000.

Mr Pena said that the dispute, which had meant a $13 per ton fall in the price of coal in one of its three main contracts, was subject to litigation. He was confident a higher contract price would result.

During the period, the company sold its Bluebell-Altamont oil and gas field in Utah for $24m boosting cash balances to $40m. The $11m surplus is expected to be taken as an exceptional item in the second half.

Mr Pena said GWR expected a favourable year-end result. The interim dividend was therefore unchanged at 2p gross for the A shares and 2.3p for the B.

US bids for Rabone intensify

By John Ridding

STANLEY WORKS, the UK subsidiary of the US tools and hardware group, appears to have edged ahead of Cooper Industries, another US tools company, in the protracted competition to buy Rabone Chesterman, a subsidiary of Bardsey, the hand tool manufacturer and distributor.

Bardsey shareholders voted at last Friday's EGM to accept the bid from Stanley Works, even though at £8.5m, it is £1m lower than Cooper's offer.

The reason lies in a complex legal battle between the two US companies which has resulted in courts serving both with restraining orders on anti-trust grounds.

Stanley Works seems, however, to believe that it will be successful in appealing against its restraining order and has committed itself to the purchase. Should the order not be lifted by July 13, the bid will remain uncompleted and it would be open to proceedings for compensation from Bardsey.

Unlike Stanley Works, Cooper has never had a signed agreement with Bardsey concerning the sale of Rabone Chesterman and although it appealed successfully against one restraining order it has been served with another.

Bardsey said yesterday that "legal proceedings between Stanley and Cooper continue and may yet affect the outcome of events."

Reed Intl raises borrowing limits

Reed International, the printing and publishing group, is proposing to increase its borrowing limits by about two-thirds to ease financial restrictions on further acquisitions.

It is asking shareholders to change its articles of association to raise the maximum level of borrowings from 1¼ to 2½ times share capital and reserves.

Reed also proposes to change its definition of share capital and reserves by writing back part of the goodwill it has written off on acquisitions, and to allow cash deposits to be set against gross borrowings in determining borrowing levels.

Newgateway attacks rival on acceptances

By Nikki Tait

THE TEMPERATURE in the hotly contested bid battle for control of Gateway cooled a little yesterday, as Wasserstein Perella and Great Atlantic & Pacific Tea Company, the US bidders, refrained from buying shares in the UK food retailer. Instead they concentrated on attacking the level of acceptances notched up by its rival Isosceles.

Newgateway, the US bid vehicle, initially noted "slipping support" for its rival, and said that Isosceles, having claimed to speak for nearly 45 per cent, now owned or had acceptances for 41.7 per cent.

This was later corrected. In addition, parties acting in concert with Isosceles manage, on a discretionary basis, another 2.4 per cent not yet assented to the offer.

Newgateway added a plea to these funds' trustees: if they felt its 242p-a-share cash offer was superior and if the management agreement permitted, they should instruct the managers to take the US offer.

Isosceles is offering 230p a share in cash, but has a cash-and-paper alternative. If a Salomon Brothers' valuation of the paper element (undertaken for Isosceles) is accepted, this version is worth 245p to 250p, of which cash accounts for 215p.

Further details of the WP/A&P offer went on display. Under a management agreement, A&P would take on the preparation of budgets, operating and similar plans for the Gateway chain. For the first three years, it would be reimbursed for out-of-pocket expenses and for the services provided by Mr Jim Wood, A&P's chief executive, and other A&P employees. From the fourth anniversary of the purchase of Gateway shares, an annual cash fee of $2m would become payable to A&P.

The coupon on the £281m of junior subordinated debentures for which A&P is subscribing in Newgateway Holdings, is revealed to be 17½ per cent.

Covenants between WP/A&P and its bankers – which are putting up £1.85bn of loan facilities – give few clues about the expected progress of the company. Newgateway has not set out some covenants, including those about interest cover, on the grounds that they are commercially sensitive.

Those that are revealed show that WP/A&P has covenanted that the trading margin – based on profits before interest and tax but after depreciation – will rise from at least 5 per cent in the year to April 1990 to 7.7 per cent in 1993/4 and thereafter. It has also set a capital expenditure limit of £55m in 1989/90, but this rises to £95m in 1990/91, and then increases steadily from £75m to £100m in the next five years.

Today, meanwhile, will see the formal announcement of Gateway's figures for the year to April 29. They have already been forecast in detail as part of the group's defence.

UK COMPANY NEWS

Possible £51m offer for Prestwich

By Andrew Hill

PRESTWICH HOLDINGS, the video cassette and compact disc group, is back in talks over a possible £51.3m offer for the company, six months after ending discussions about a management buy-out.

This time it is talking to a consortium led by Mr Mike Campbell, managing director of Strand Magnetics, Prestwich's video duplication and publishing subsidiary. Any offer would be made at 140p a share.

Prestwich said it had issued yesterday's announcement of discussions because of the recent movement in the group's share price.

The shares stood at 113p at the beginning of last week and have since risen to 122p, climbing another 8p on yesterday's news to close at 130p.

Kleinwort Benson, the group's adviser, said it had not yet decided whether to ask for a stock exchange inquiry into share dealings.

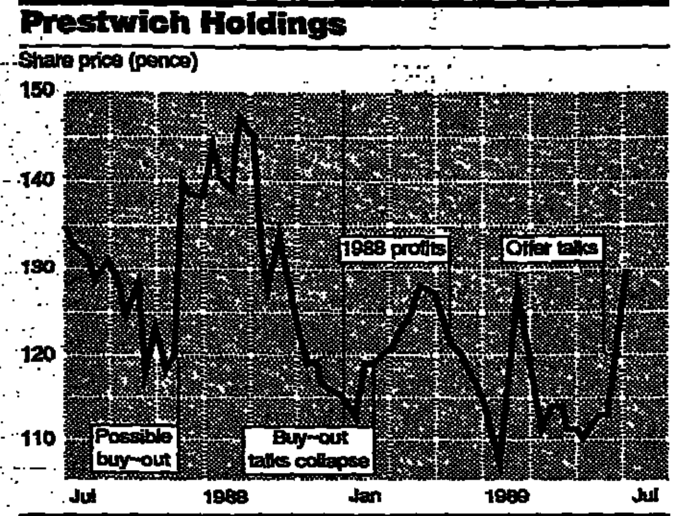
Prestwich started discussions about a buy-out in September, with a team led by Mr Philip Keane, a director. The group was dissatisfied with its stock market rating and – like Dwek Group, Virgin Group and Glass Glover before it – decided to take the company private.

Those talks ended in January: at the time, Mr Paul Levinson, Prestwich's chairman, said discussions had gone on too long, as interest rates increased making a deal more difficult.

Prestwich directors were unavailable to comment on yesterday's statement, but it is thought an offer from Mr Campbell's consortium would take the company private.

Prestwich has recently sold various properties and its character merchandising business in order to concentrate on core operations of video cassette duplication and compact disc publishing.

Prestwich Holdings



In March the company announced a marginal improvement in pre-tax profits for the six months to end-December – from £4.06m to £4.18m – including exceptional profits of £710,000 on a property sale. In 1987-88, Prestwich made profits of£5.58m before tax.

SeaCon Bermudan legal battle delayed

By Andrew Hill

STENA AND TIPHOOK'S Bermudan legal battle with Sea Containers, the ferry and container group, has been adjourned until Thursday.

The Bermuda Supreme Court was due to begin hearing the preliminary legal issues of the case yesterday.

Stena, a Swedish ferry operator, and Tiphook, the UK container rental company, are offering $824m for Sea Containers, which is registered in Bermuda.

The court is being asked to decide whether Sea Containers broke Bermuda law by allowing its subsidiaries to buy about 20 per cent of the parent's shares in March and April. It will also consider the legality under Bermudan law of Sea Containers' "poison pill" shareholder rights plan.

If the supreme court's decision on the legal issues is inconclusive then the judge will have to hear further evidence from both sides. Should the court favour the Anglo-Swedish predators the subsidiaries' purchases could be nullified, frozen or reversed.

The hostile bid has been extended in New York until midnight on July 14.

Newarthill may buy in 25.2% shares through tender offer

By Clay Harris

NEWARTHILL, the quoted holding company for the civil engineer Sir Robert McAlpine & Son, is offering to buy in up to 25.2 per cent of its shares at £24 each, an exercise which could cost the group nearly £135m.

In the market, Newarthill's ordinary shares rose 355p to close at £23.80.

The tender will allow certain members of the controlling McAlpine family to realise their 8.3 per cent holding of Newarthill's issued equity capital, which embraces both the ordinary shares and unquoted capital shares.

Because McAlpine family members holding 74.8 per cent of the equity have given commitments not to tender their shares, all other tenders will be met in full.

Newarthill said it was using the tender to prevent the share price being destabilised by sales in the market. Moreover, some of the family members in question intended to expand their commercial property investment and development interests independent of the group.

Proceeds from shares which are tendered direct to the company will not be liable to capital gains tax, but will be treated as dividends. If all eligible shares were tendered, Newarthill would have to pay more than £101m to the shareholders, plus a third as much again in advance corporation tax. It said all of the ACT so incurred should be recoverable against mainstream tax.

Although many UK companies have bought their own shares in the market, Newarthill is only the second to use the tender method. International Business Communications (Holdings), the newsletter and conferences group, pioneered it earlier this year by buying in 40 per cent of its shares.

Preference shareholders must approve the plan, and Newarthill is proposing to raise the net dividend on these shares from 5.775 to 6.775 per cent.

FSM profits soar to £14.15m

By Peter Pearse

SHARES IN Ford Sellar Morris Properties rose 8p to 116p yesterday after taxable profits at the property development and investment group soared to £14.15m in the year to April 30. This result compares with the £3.5m the USM-quoted company made in the 15 months to end-April 1988. Turnover raced ahead from £16.49m to £62.58m.

In the year net assets jumped from 50p to 122p per share and total property assets rose from £76m to £103m, an increase of 36 per cent.

Mr Irvine Sellar, chairman, said that development activities had made a major contribution to the profits figure and added that FSM had a strong forward programme of about 2m sq ft which would form the base for profits in the current and subsequent years.

In June the company announced the proposed acquisition of fellow property group Brookmount. The agreed cash offer values the latter at £84m. This represents a significant expansion for FSM which is capitalised at just £46m.

Net rental income from investment properties amounted to £3.21m (£241,000) and Mr Sellar said that there was further scope for increases within the portfolio in the coming year.

Operating expenses rose a little to £2.75m (£2.54m), while interest payable totalled £2.09m (receivable £121,000) and there was no share of profits from related companies (£172,000).

Tax was doubled at £3.11m, leaving earnings boosted threefold to 25.98p (8.42p). A proposed final dividend of 3.5p (1.5p) will make 5p (2.5p) for the year.

Triplex makes components sale to Delta for £3m

By Richard Tomkins, Midlands Correspondent

Ownership of Brass & Alloy Pressings, a Birmingham-based manufacturer of non-ferrous components, has passed from one Midlands company to another with Triplex Lloyd's sale of the business to Delta for £3m.

B&A supplies components for the aircraft industry, oil and gas, and general mechanical engineering. It made pre-tax profits of £236,000 on sales of £3.9m in the last nine months.

Triplex, a fast-growing foundries and engineering group, acquired the business less than six months ago as part of the quoted Christy Hunt group, which it bought for £34m in January.

However, Mr Jim Doel, Triplex's chief executive, said yesterday that B&A did not fit in with company strategy.

Delta, the electrical equipment, engineering and industrial services group, said the acquisition would fit in with its existing British and American components companies and increase the group's international strength in non-ferrous forging.

Canadian investor increases holding in Asda to 4.53%

By Nikki Tait

ASDA, Britain's fifth largest food retailer, yesterday announced the First City Financial Corporation has again raised its stake in the company, to 4.53 per cent.

First City, a Vancouver-based investment company controlled by the Belzberg family with a record as prominent Canadian-based takeover specialists and corporate raiders, was first disclosed as holding 2.55 per cent of Asda in mid-May. By early June, the stake had topped 3.7 per cent. Asda says that the latest increase results from replies to notices sent out under section 212 of the Companies Act - which allows companies to find out the beneficial owners of their shares.

There has since been one meeting between Asda and representatives from First City, but little indication of the Canadians' ultimate intentions. Despite various market rumours, Asda said it had not seen any other suspicious movement in its share register.

Shares in the company - which is indirectly involved in the current tussle over Gateway, as the prospective buyer of Gateway's superstores should Isosceles win - were 2p higher at 179p yesterday.

Pathfinders makes £0.5m

Pathfinders Group, specialist media and entertainments recruitment agency, reported pre-tax profits of £503,000 in the year to March 31. This is an 18 per cent increase on the £426,000 achieved in a 15-month period to the end of March 1988. Turnover at this USM-quoted company rose to £2.02m, against £1.73m.

After tax had taken £175,000 (£153,000), earnings worked through at 1.37p (1.14p) per share. The directors have proposed a final dividend of 0.4p to make a 0.7p (0.292p) total.

Mr Stephen Worth, chairman, said that trading had generally been buoyant throughout the year although there had been a slowdown in the second half as raised interest rates led to cutbacks in staffing levels.

Board changes at Armstrong

By Clare Pearson

ARMSTRONG EQUIPMENT, industrial fasteners and engineering company in which Mr Swraj Paul's Caparo Group has recently increased its stake to 29.6 per cent, yesterday announced a number of board changes.

Mr Chris Davies, previously managing director of the fastenings division, is joining the main board as executive director responsible for UK operations.

This move is in line with the fact that fastenings now constitute the bulk of the business of Armstrong following the sale of the UK shock absorbers side, the original core of the company, last month.

Additionally, two non-executive directors, Mr G. Frank Cole and Mr Dennis Layne are retiring. They have both reached the age of 70.

An Armstrong spokesman said there had been no contact with Caparo Group, the investment vehicle for Mr Paul, who chairs the engineering company Caparo Industries, since the announcement last Tuesday its stake had risen from 20.1 per cent. This triggered market hopes a takeover bid might be mounted.

Mr John Pratt, Armstrong's finance director, is now on holiday. The Armstrong spokesman said he understood Mr Paul was away also.

All That Jazz directors snub Leslie Wise deal

By John Thornhill

LESLIE WISE Group, a textile company, has been unable to buy women's wear manufacturer All That Jazz after its directors changed their minds about the proposed sale.

All That Jazz - a private company - was not prepared to explain why its three directors had reversed their earlier decision.

In May, Leslie Wise announced that it had reached an agreement to buy All That Jazz subject to contract and accountant's report. It had agreed to pay £2.6m with a further profit-related deferred payment of up to £1.25m.

Leslie Wise said at the time that one of the directors of All That Jazz would stay with the company and the other two would depart on completion of the acquisition.

Mr Leslie Wise, the chairman, said yesterday: "We are still looking for further acquisitions and there are a number of irons in the fire."

Lopex forges Yugoslav link

Alliance International, the advertising arm of Lopex, the communications group, has formed a trading link with Studio Marketing Delo, Yugoslavia's largest advertising company, writes John Ridding.

Under the deal, SMD will have exclusive rights to the Yugoslavian business of Alliance's western clients and in return Alliance will receive business from any SMD clients seeking to advertise outside Yugoslavia.

The state ownership of Yugoslavian companies meant that Alliance was unable to purchase an equity stake in SMD.

COMPANY NEWS DIGEST

Farepak advances to £2.26m

By Edward Sussman

FAREPAK, the mail order group and contract food processor, increased profits before tax and non-recurring items from £1.71m to £2.26m in the year to April 30 - its maiden result since flotation on the USM in January.

Mr Bob Johnson, chairman and owner of 80 per cent of Farepak's equity, said the company continued to push outside its traditional base of Christmas food hampers, paid for in weekly instalments by about 250,000 customers. Other mail order items being sold include jewellery and radio equipment. Turnover rose 11 per cent to £30.8m (£27.8m).

The company declined to break down turnover or profit between food and non-food related items. At the time of flotation, however, the company said non-food items accounted for about 17 per cent of sales.

Farepak is near to buying a small-sized company whose business is close to its existing activities, Mr Johnson said, and several other acquisitions are being considered.

The chairman added that a replacement has already been arranged for Mr Brian Bearman, formerly distribution director, who resigned last Friday to pursue his own business activities, after 20 years with Farepak.

Earnings per share increased 27 per cent to 13.3p (10.5p) and a first-time dividend of 1.575p was announced.

IMI sells offshoot to management

IMI, the Birmingham-based industrial group, has sold its IMI Mouldings subsidiary to its management for an undisclosed sum. Net asset value of the offshoot is put at £4.5m.

The company's three main businesses are plastic injection moulding, the manufacture of plastic caps, and distribution of DIY plumbing components. It will now be called Opella Mouldings.

IMI said the subsidiary was its last remaining plastics business following the sale of Yorkshire Imperial Plastics last year, and it did not fit easily with the group's main business areas.

Delyn makes first move into Europe

Delyn Packaging, a Welsh-based supplier of plastic packaging for food, has made its first move into Europe with the acquisition of Les Plastiques du Detroit, a plastic packaging company based one mile from the French end of the proposed Channel Tunnel.

The purchase price is FFr 4.5m (£436,000) and Delyn is also taking on Les Plastiques' FFr 650,000 of debt. To finance the deal, Delyn is issuing 516,124 shares which have been placed with institutional investors at 85p.

EHP relocates its Scholl operations

European Home Products, the UK-based retail and distribution group, has sold it's Scholl factory, export warehouse and offices for £15.1m as part of a plan to move warehousing and manufacturing operations out of Greater London.

The operations will be relocated in Luton and the east Midlands in keeping with a decision taken in mid-1987.

The sites which have been sold had a book value of £1.5m. Relocation costs are expected to reach £4m.

Gillibrand seeks Chloride election

Dr Maurice Gillibrand, a former research director of Chloride Group and a long-time critic of the battery company's management, is to seek election to its board at the annual meeting on July 24. It will be his fourth attempt.

He was defeated on a show of hands in 1984 and 1986, and won only 5 per cent of the vote in a 1985 poll.

Core businesses boost for Syltone

Strong performances and improved sales in all core businesses help lift pre-tax profits at Syltone, the Bradford-based engineer, in the year to end-March 1989.

On turnover up from £24.73m to £29.74m, profits expanded 26 per cent to £2.09m (£1.66m). The directors said that the closure of non-core operations at its Drum Instrumentation and Zero Electric subsidiaries would result in greater concentration of group activities in the transport services market.

After tax of £816,000 (£643,000), basic earnings per share were 32.6p (26.43p). A recommended final dividend of 9.5p makes 13.5p (11.5p) for the year. A one-for-one scrip issue is also proposed.

Thomas Tilling rises to £164m

Thomas Tilling, the industrial holding company which in 1983 became wholly owned by BTR, the industrial conglomerate, yesterday repeated its annual, and purely formal, exercise of reporting its audited results. Although its results for 1988 have been consolidated, Tilling still has debentures and unsecured loan stock.

Taxable profits advanced to £164m (£134m), and were achieved on turnover raised to £1.44bn (£1.29bn).

Coalite dissociated from circular details

The Takeover Panel has required Coalite, the fuel distribution company facing a £427m bid from Anglo United, to dissociate itself from the contents of a circular put out by Mr Charles Pick of Nomura Research.

In a statement, Coalite made it clear that statements attributed to the company, or which might be thought to have originated in the Coalite camp, had nothing to do with the company.

Plessey sells discrete components arm

Plessey, the UK electronics group, has sold its discrete components operation in a £2.5m management buyout.

The deal will give the components company managers a 10 per cent stake in Zetex, the buyout organisation. The rest of the equity is being acquired by Telemetrix, the computer graphics company, for £2.25m in cash.

Turnover of the business being acquired amounted last year to about £10m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interim- Southern Business.
Finals- Associated British Engineering, Beaverco, Empire Stores, Gateway, Lister, Moss Trust, Pepe, Ross Catheral, Scottish & Newcastle Breweries, Scott Pickford.

FUTURE DATES

Interim-

Fleming American Inv	July 6

Finals-

Atlantic Securities	July 7
Firth (GM)	July 13
Harland Simon	July 19
Joseph (Leopold)	July 12
Southend Property	July 11
Tops Estates	July 7

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UK COMPANY NEWS

Now, it's lighting-up time in Frankfurt

Clay Harris charts the course of Emess and Michael Meyer, its merchant adventurer

MERCHANT ADVENTURER is now unlikely ever to sail into the world's stock market listings. If Mr Michael Meyer had not pulled back from the brink a few years ago, it would have replaced Emess as the name of his UK light fittings and electrical accessories group.

In the event, Emess shunned Merchant Adventurer – the original name of one if its constituent companies – as too much of a mouthful. The idea lives on in its own way, however, in the stylised sextant which Emess adopted as its logo.

But if West German investors have missed a chance to ponder the eccentricities of British corporate nomenclature, Emess itself will soon be a much more familiar name to them.

On July 13, its shares begin trading in Frankfurt. Although hardly a tiddler with a stock market capitalisation of £121m, excluding convertible preference shares, Emess is far below the size of most UK companies which have sought a Frankfurt listing. There are good reasons, however, for its initiative.

Mr Meyer, Emess' chairman, notes: "Germany is the leading European lighting market and arguably the leading world market in technical and design terms. We want to step up our activity there." Emess already does about a quarter of its business in Germany, mostly through its 77 per cent-owned subsidiary, Bremen-based Brillantleuchten.

The listing should also plug a stock market gap. Apart from Brillant, which has retained its listing, and one other small company, there are no "pure" lighting companies publicly quoted in Germany. Mr Meyer expects German institutions, which took Emess paper as he built the Brillant stake, initially to top up their holdings although no new shares will be issued as part of the listing.

Emess will also be able to grant employees share options. Most important, however, will be its ability to offer locally traded equity as well as cash when it makes future acquisitions in West Germany. "This will give us an advantage that not many competitors have," Mr Meyer says.

This is unlikely to be idle talk, considering Emess' record and ambitions.

It has no European counterpart in the light fittings sector. On one side are the giant light-source manufacturers such as Philips, Siemens' Osram subsidiary (alone and with GEC), Thorn EMI and GTE/Sylvania, for which fittings are but an adjunct to the main business.

On the other are the small to medium-sized fittings groups which have established reputations for leadership in design and technology. Their growth, however, and their ability to replicate Emess' consolidation of the fragmented market has been restrained by private ownership. Among the best examples are the West German trio Erco, Staff and Hoffmeister.

Although Mr Meyer is diplomatically coy in this regard, Emess has been talking to at least one of the three companies in recent months.

The Emess story is not quite one of rags-to-riches, but it comes as close as any does these days. Mr Meyer was recruited in South Africa at the age of 23 to become a management trainee for Heenan Beddow, a UK conglomerate of the early 1970s. He arrived in London in 1973 with £400.

Heenan ran aground and was broken up in 1975, but Mr David Innes, now managing director of Authority Investments, recalls: "I always regarded him as someone who was going to go places. That's why we brought him from South Africa."

Tony Andrews

Michael Meyer: intends to step up activity in West Germany.

Just before Heenan's death throes, Mr Meyer and a partner, Mr Grenville Payne, borrowed heavily and bought out a company where the only assets were injection moulds. With the proceeds of the disposal of these only a year later, they bought Emess Lighting, a small fittings manufacturer which made profits of £35,000 on sales of £500,000.

Emess' German links go back this far, as its original products incorporated German-made glass shades. Mr Meyer and Mr Payne concentrated on margins, kept debt at a minimum and avoided squandering scarce resources on investment in property.

It came to market in January 1980 with a market capitalisation of less than £1m. At flotation, Mr Meyer not only did not sell any shares, but borrowed 12 times his salary to buy more at the placing price. Now aged 39, he still owns more than 3 per cent of the ordinary shares, worth £3.67m.

He feels strongly that any chief executive should have more than 75 per cent of net worth invested in his own company's ordinary shares. "You should have your wealth on the line, so that you suffer financially if it goes wrong."

So far, that has not happened. Emess' 22 per cent annual compound earnings growth since 1980 is one of the 25 best records among Britain's 500 top companies. In 1988, pre-tax profits reached £15.1m on sales of £108m.

There are no geographical limits to Emess' ambitions, but its post-flotation expansion has been based on one premise: not to have a single global brand. Accordingly, Marlin and Quest are its commercial fittings names; JSB, bought for £25m earlier this year, for emergency lighting systems; US-based Alsy for table and standing lamps; and Brilliant (adding an "i" to its German root) will be the worldwide brand for Emess' move into retail sales.

It has not always been plain sailing for the merchant adventurer. Emess has twice failed in takeover attempts. It was outbid for Rotaflex in 1986 by GTE, which already owned Concorde, and was thwarted last year by Thorn EMI and French rules over irrevocable acceptances in an auction for the French Europhane-Holophane grouping.

But Mr Meyer has drawn lessons from both. The recent record at Concorde/Rotaflex under GTE, where there has been an emphasis on volume, may exemplify the approach of multinational giants which also make light sources.

"We're not driven by volume," says Mr Meyer. "We're driven by profit. We'd rather drop the volume and make more profit per unit."

Similarly, he says: "At the end of the day, we could have got Europhane if we'd been willing to pay [an earnings multiple] in the high 20s. In our view, we can get an exposure in France at a lower risk than that."

Switching away from the 'loo and corridor' image

"I COULDN'T live in a place like this." Waving his hand above a sail-shaped boardroom table, underneath a dark blue plastic light fitting which echoes its form, Mr Michael Meyer is not damning the style of Emess' St James's St headquarters but making a point about the role of design at the company, writes Clay Harris.

"If it had been me," he says, "I wouldn't have designed it this way, but it wouldn't have had the same visual impact."

The offices, designed by David Davies Associates, resemble a 1930s ocean liner – or a 1980s stage pastiche thereof. Lighting plays a important but not overwhelming role, because the offices are also a showroom for the work of British artists and textile and furniture designers.

Mr Meyer was pleased recently when an Italian competitor came to lunch, looked around the office and volunteered that British designers were now the equal of their continental counterparts.

In the past few years, Mr Meyer has used design to raise the profile of Emess. "We are different," he maintains. The initiative began with Emess' 1986 accounts, the first annual report ever designed by DDA. It probably looks dated already, but at the time, clad in a translucent dust jacket, it was as up-to-the-moment as the Next stores DDA had designed for Mr George Davies.

When Emess shortly afterwards linked with Brillantleuchten, Mr Meyer said the West German company's owners told him they had been won over by the stunning design of the report. Just as many people hated it.

The 1987 report was recognisably in the same style. So 1988 had to be different again. Food photographer Paul Williams shot Emess' products with light, shadow and projected images.

Mr Terry Diver, DDA's design director of graphics, says: "What sets Michael Meyer apart from a lot of other clients is that as an individual he's unbelievably design-aware. You always know he's expecting something special, something out of the ordinary."

In Emess' products, however, the chairman's daring instincts are reined in by commercial reality. Nevertheless, the range at Marlin, its main commercial fittings brand, is almost unrecognisable from the "loo and corridor" image it once had, thanks in part to the influence of former Philips designer Mr Michael Jankowski.

"Design is important because it enables you to be perceived as a premium product and therefore obtain a premium price," says Mr Meyer.

But he steers clear of judging style himself. "I purposefully don't comment because, if I did, I think it would be an all-time loser as a product."

Indeed, at this spring's Hanover Light Show, the only ceiling fitting on the Emess booth which appeared to stick out from the cool Marlin look was one that had originally been designed for Mr Meyer's kitchen, although not, it must be said, by the chairman himself.

Emess is sponsoring The New Designers, an exhibition of 1989 graduate designers working in interior, industrial and product design. Julu 16-19, Business Design Centre, 52 Upper Street, London N1.

COMPANY NEWS DIGEST

Stirling drops to £2.74m

STIRLING Group, garment maker, reported taxable profits down 32 per cent from £4m to £2.74m in the year ended March 31 1989, on a lower turnover of £40.21m (£41.69m).

However, with the order book full and the first quarter in line with budget, the company looks forward to improved results for the year.

Earnings per 20p share fell to 4.7p (7.09p), but the dividend is maintained at 1.35p with a 0.85p final.

Reduced deficit reported by OEM

A reduced deficit for 1988 was yesterday reported by Office and Electronic Machines, the manufacture and distribution group.

On turnover down to £19.22m (£25m), the pre-tax loss came out at £1.84m. against the previous year's £4.02m. The loss per share more than halved to 30.01p (65.63p). There is again no dividend.

Nobo profits up 10% to near £3m

Nobo Group, office equipment manufacturer, achieved a 54 per cent increase in turnover from £13.62m to £20.96m for the year ended April 30, against a 10 per cent increase in profit from £2.64m to £2.9m.

After an increased tax payment of £1.11m (£938,000) as a result of tax losses in a Dutch subsidiary and an extraordinary gain of £293,000 (nil) from the sale of a freehold factory, earnings per share came out at 17.24p (17.04p).

A final dividend of 4.4p (3.52p) is proposed, bringing the total for the year to 6.6p (5.28p).

UMECO joins the USM via placing

UMECO, a specialist engineering business, is joining the USM via a placing which values it at £5.88m.

The company, which was founded in 1917 under the title University Motors and Engineering Company acted as a motor distributor until 1984. The loss-making car distribution businesses were sold and the profits realised from their sites helped the company move into its current businesses.

Sheppards is placing 2.61m shares at 95p. 2.11m shares are being sold by existing shareholders and 500,000 new shares are being issued by the company to raise £175,000 net of expenses. In the year to March 31, UMECO made pre-tax profits of £641,000 (£522,000) on turnover of £9.92m (£6.82m).Dealings are expected to start on July 10.

Doubled profits at Embassy Property

Embassy Property, which came to the USM via a placing last November, reported pre-tax profits more than doubled to £2.26m for the year to March 31.

However, Mr Roger Holbeche, chairman, warned that housing sales would be difficult while current high levels of interest rates prevail.

Turnover was £17.27m (£12,2m) and after tax of £867,000 (£390,000), earnings per 10p share emerged at 25.6p (15.8p). The dividend is 2.3p.

Second – half fall at John J Lees

A second-half downturn left John J. Lees, maker of confectionery and bakery products, with 1988-89 pre-tax profits lower at £410,012, against £485,392 previously. Turnover for the 12 months to March 31 however, rose from £6.55m to £7.67m.

Earnings per 10p share were 5.68p (6.24p) while a recommended final dividend of 1.25p makes a total of 2p (1.875p).

Carron Phoenix sinks to £342,000

Taxable profits at Carron Phoenix, the Edinburgh-based sink manufacturer, fell 43 per cent to £342,000 in the six months to March 31 1989.

Directors of this USM-quoted group said trading during the second half remained "difficult" and prospects for an upturn in consumer demand and a fall in interest rates were "not encouraging".

Turnover amounted to £10.54m (£8.34m). Earnings per 10p share dipped to 2p (4.1p), but the interim dividend is maintained at 1.33p.

Textured Jersey margins squeezed

Profit margins under pressure at Textured Jersey have meant a fall in pre-tax profits from £1.33m to £970,000 in the year to April 30 1989, in spite of an increased turnover of £21.72m (£21.27m).

Earnings per share dropped to 16.29p (22.24p), but the final dividend is unchanged at 4.5p for a total of 7p (same).

The company is taking further steps to rationalise its activity and to improve cost effectiveness. An extraordinary debit of £167,000 arose from the closure of the Leicester knitting operations.

Beckenham builds advance to £1.3m

Beckenham Group, a supplier of services to the construction industry, yesterday reported pre-tax profits sharply higher at £1.3m in the six months to April 30. The advance from the £517,000 achieved last time came on turnover ahead from £13.19m to £32.28m.

The interim dividend is raised to 1.5p (1p). The group is quoted on the Third Market.

Geevor moves back into the black

Geevor, the tin mining group which has been expanding its coal interests, moved back into the black thanks to profitable trading in the second half. Against pre-tax losses of £676,000 last time, it achieved profits of £10,000 in the year to March 31.

Turnover advanced from £1.37m to £3.37m. There is again no dividend.

صكنا من الاصل

TECHNOLOGY

Serious accidents to two Soviet nuclear submarines have prompted questions about the wisdom of leaving reactor-carrying wrecks on the sea bed. **Rachel Johnson** reports

Deep dilemma over raising sleeping dogs

The sinking of a Soviet Mike class nuclear-powered submarine in April and the fire on another Soviet nuclear submarine last week pose unusual dilemmas which the world's navies would probably prefer to ignore.

Should newly sunk submarines lie, like sleeping dogs, on the ocean floor when the technology to raise them is available? And, whether or not reactors or missiles are leaking radiation, is the sea floor the safest place for them to be, or should every effort be made to retrieve them?

These questions are complicated by a common abhorrence of anything radioactive, and by the fact that the radiological impact on marine ecology is hard to measure.

The US navy said that no more than trace amounts of radioactivity had been detected in the vicinity of two sunken US nuclear submarines in the Atlantic.

But a technical study, commissioned by the environmental pressure group Greenpeace from Large and Associates, the London consulting engineers used as safety experts at the Hinkley Point inquiry, disputes claims like these. The Large report on the sinking of the Mike vessel concludes that "significant" amounts of highly radioactive and toxic materials would eventually disperse to the marine environment unless the submarine were recovered intact.

The ocean floor was something of a nuclear junkyard until 1983, by which time most United Nations countries had agreed to a moratorium on the dumping of nuclear waste at sea. But there is no similar convention on naval accidents, and the sea bed is reportedly littered with nuclear debris as a consequence of one severe accident a week since 1945.

Leaving a stricken nuclear sub on the seabed is certainly much easier than bringing it to the surface. But when the Mike sank, the Soviet Union made an unusual announcement. It would try to recover the boat. Viktor Orlik, editor of Soviet Weekly, said last week that the expedition to salvage the submarine from its present grave, 5,000 ft deep in the Arctic Ocean off Norway, was now "being organised."

This made pleasant hearing for those anxious that crushing pressure – 445 lbs per sq in for each 1,000 ft of depth – on the submarine's twin reactors, coupled with corrosion, would guarantee a leak of radioactivity into the sea.

But raising a nuclear submarine from the sea bed has never been done successfully. The last time it was attempted, in 1975 when the CIA and Howard Hughes tried to salvage a Soviet Golf class submarine in the Pacific, the vessel broke apart.

Captain Richard Sharpe, editor of *Jane's Fighting Ships*, says that the Russians will try to raise the submarine because it is worth raising. There is no suggestion that the expedition will be to recover the bodies of 45 crewmen, or to reduce the long-term risk of radioactive leaks. "But no nuclear sub has ever been salvaged at this depth," he points out.

There are three good reasons to raise the sub, he says. The Mike vessel is the only one of its kind and has a unique hull design; there are nuclear weapons on board; and the causes of the uncontrolled fire that led to its sinking urgently need to be established.

But how to raise a 9,000-tonne submarine from the sea bed? It would need the very latest advances in deep-sea recovery techniques, according to Barrie Walden, manager of submersible operations at the privately funded Woods Hole Oceanographic Institute in Massachusetts.

In the case of the Mike, either an unmanned robot or a manned submarine would be needed to find it. While it was sinking, it would have drifted some miles, says Walden.

To complicate matters, the reactor itself might have become dislodged from the hull and embedded itself apart from the rest of the wreck in an enormous crater.

So, before recovery can start, the Russians will have to pinpoint the location of the vessel. To do that, they will need something resembling the unmanned robot which discovered the wrecks of the Titanic in 1986 and the Bismarck last month.

Jason, a remotely operated vehicle capable of transmitting sound and images, live and in colour, in depths of up to 20,000 ft, could help to find the Mike and then attach cables to the wreck.

According to Captain Sharpe, if the submarine sank sealed, then the crushing depth would have fractured the hull, making recovery all the more difficult.

But if the Mike's captain deliberately scuttled it, as most observers believe he did, the submarine should be intact. With the hatch open, the pressure inside it would be equal to that outside, even in crushing depths.

Then an unmanned, remotely controlled mini-submarine could seal the hatch, pump out the water from the hull and buoyancy tanks, and fill them with air to a pressure equal to the pressure of water outside.

"This would achieve a neutral buoyancy. Combine this with the Archimedes displacement principle, and the sub is considerably more moveable than before," says Captain Sharpe.

A minimum of two surface vessels, with cables running between them, could then winch the Mike to the surface.

Whether the Soviet navy will undertake this complex operation remains to be seen. It may decide to leave the wreck alone – along with another 50 nuclear warheads and seven reactors on the bottom of the oceans, including a warhead accidentally dropped into the sea off south-east Spain by the US air force.

A smoking Soviet Echo-2 class nuclear submarine being towed back to its home base in Severomorsk last week

Preliminary scientific evidence seems to suggest that the bottom of the ocean is not such a bad place for materials to be. "Water is the best container of radiation there is," says Sharpe. If the reactors have been shut down before sinking and the fuel rods are spent, "there is no conceivable comparison with Chernobyl." Testing of the seas off Norway after the Mike submarine's sinking found no radiation leaks.

Nuclear reactors are built to survive even if the hull is crushed. The nuclear fuel is encased in a heavy steel pressure vessel in a hull compartment, and both are "hugely strong," he says.

"After a few weeks, the reactor will emit as much radiation as a granite outcrop in Aberdeen and certainly less than the ambient levels in the sea."

But the Large and Associates report reckons that each of the reactors of the Mike-class hunter-killer submarine contains about 1.5 tonnes of highly enriched uranium, which would eventually release up to 20m curies of radioactivity into the ocean. In comparison, this is about a third of the radioactivity released by the Chernobyl accident.

The impact of this radiation release on the environment, marine life, or man, is almost impossible to quantify, says the Large report. But the radioactivity would leak out even if the submarine had been scuttled, because the reactor chamber would remain airtight and would therefore be crushed.

"Nuclear fission products are very migratory," says John Large, head of the consultancy. "When it is reported that there is little radioactivity in the waters around subs, that is absolute nonsense. It depends how you look and what you look for." The Norwegian and Soviet governments had not made enough information available for a sensible result to be reached, the study says.

Without an accurate measure of radioactivity, or an easy method of raising submarines, it seems that navies will still face the same dilemmas – while the submarines still lie at the bottom of the seas.

'Best buy' verdict on PCs

THE PERFORMANCE of nearly 200 personal computer models has been scrutinised by What to Buy for Business, the London office equipment consumer report.

As well as looking at product excellence and value for money, the publication asked more than 700 subscribers for their views on service and reliability.

There were four "best buy" labels awarded in the lap-top category and three of them went to Toshiba, the Japanese manufacturer that already dominates this sector. The fourth award was to Sharp, also of Japan.

Dell, a US company which has only operated in the UK in the last three years, received four of six "best buys" in the desk-top category. The other two went to Tandon and Apricot.

The publication's editor, Julian Lloyd, says that apart from technical excellence, the assessors were looking for customer peace of mind.

"Buyers want increasingly high performance systems, but equally important are the level of reliability and the quality of after sales service. All too often, technically exciting machines are let down by poor quality manufacture or by lousy dealer support," says Lloyd.

The survey also revealed that high prices do not necessarily mean high quality. Upmarket brands, such as IBM and Olivetti, received mediocre ratings for service and fared no better than Amstrad on reliability.

Airborne check on corrosion

BATTELLE, the US-based international research group, has developed an electronic system to detect corrosion in the structural recesses of aircraft.

The idea is to provide continuous information about corrosion in ageing airliners and helicopters. The system could greatly reduce the need for extensive manual checks for corrosion in areas of difficult access. Moisture, salt and dirt can accumulate in such places, causing components or systems to fail if left undetected.

Battelle's system spots the onset and severity of corrosion by automatically monitoring increases in the electrical resistance of small metallic sensors mounted on airframe components. The thickness of the sensors decreases as corrosion eats away the metal.

Signals from the sensors are dealt with in a small computer that can work out the relative rates of corrosion at various places on the aircraft.

Market data by satellite

A NEW satellite service which distributes financial market information has been introduced into the UK by the Euro American Group of London. The system, called Satquote, covers most UK, US and Canadian equities and futures, and is aimed at private investors, financial advisers and stockbrokers.

Satquote operates over Eutelsat 4, in geostationary orbit 22,000 miles above the mid Atlantic. The service transmits data as it generated by Standard and Poor, the New York financial information bureau, and this is picked up via a dish aerial and receiver.

Apricot, the computer maker, will supply the necessary hardware and Granada will conduct a site survey and install a complete system anywhere in the UK.

Another UK company, EAG, will provide the user with bespoke software systems to carry out analyses of the Satquote data. Examples are portfolio analysis, options pricing and risk analysis.

The Satquote service costs £196 a month, which Euro American says is about a tenth of the cost of services based on land lines. The hardware can be leased for £151 a month, or purchased for about £4,500. The EAG software is extra.

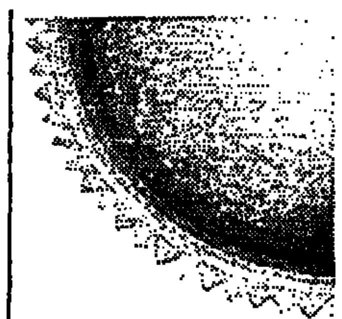
Control system for car parks

TRAFITEL, of France, has developed a computer-based control centre that can look after several car parks at once on a 24-hour basis.

Car park control and management involves keeping track of traffic, attendants, ticket machines, barriers, lighting and ventilation. Alarm telephones, security and surveillance are all necessary.

The French system, called Cristal, provides management personnel with video surveillance, audio intercommunications, automatic monitoring of car park equipment and remote control of barriers, lighting, ticket machines and public display signs, such as those that indicate how many spaces are left in the car park.

Cristal's traffic monitoring facility provides an up-to-date automatic count of the number of vehicles in each park.



WORTH WATCHING

Edited by Geoffrey Charlish

Soil nailer solves Mway problem

A MACHINE that rapidly runs nails into soil should enable motorways to be widened more quickly and at less cost.

The University of Wales has developed the fast soil-nailing machine for Ryan International, the Cardiff engineering company.

When a motorway is in a cutting, the soil bank has to be cut back to allow widening. The shallower the bank angle, the more stable it is, but the more soil has to be removed.

The civil engineering answer is to "nail" the soil, which allows a stable, steeper bank angle, reducing soil removal and saving time.

Using compressed air, the Cardiff machine fires one six-metre steel nail a minute using a device from Ferranti called an air launcher, mounted on a vehicle from Compact Loaders.

Conventional methods, which involve drilling and grouting, allow only one nail to be driven in every 20 minutes.

CONTACTS: What to Buy for Business: London, 730 0403. Battelle: US, (614) 424 7984 or in London on 493 0184. Trafitel: France, 9399 3180. Euro American: London, 233 1100. University of Wales: UK, 0222 874 053.

COMMODITIES AND AGRICULTURE

International coffee pact collapses

By David Blackwell

THE INTERNATIONAL Coffee Agreement collapsed last night. Export quotas will be suspended today, plunging the coffee world into a free market.

Delegates to the International Coffee Organisation had earlier voted down the two major proposals for extending the agreement beyond its scheduled expiry at the end of September. That was not unexpected, but nevertheless prices in London and New York tumbled. The September robusta contract on the London Futures and Options Exchange fell to £940 a tonne, £73 down on Friday's price.

Yesterday evening delegates were discussing a further proposal to extend the agreement without any economic clauses. This third proposal was, put together on Thursday and Friday last week by the ICO executive board, envisaged a two-year extension from the end of the current agreement in September, and the suspension of the export quota system from today.

The export quota system was the major economic clause of the current agreement, and was aimed at keeping prices in the 120 to 140 US cents a lb range. But prices tumbled as ICO members wrangled over the future of the agreement. The ICO daily indicator price yesterday was 97.12 cents a lb.

Yesterday's meeting was a resumption of a special session adjourned early last month after the extension proposals had been made but not voted on. Hopes that the breathing space provided by the adjournment would allow the gap between the two sides to be narrowed proved ill-founded, however. Voting yesterday was split along the line which divided delegates before.

Brazil and Colombia, the two biggest producers, wanted a one-year extension with further discussion on market shares to take place in September. The US and the so-called "other milds" group, mainly Central American arabica producers, also wanted a one year extension but with an immediate increase in the allocation of export quotas to the other milds, whose coffee is favoured over the robustas. Ironically prices have now fallen low enough to trigger a cut in the arabica quota of 1.5m bags due to be made in this quarter.

Prices can be expected to fall further as coffee is released onto the market, analysts believe. The reintroduction of quotas is bound to be difficult given the bitterness yesterday's votes have engendered."

El Salvador to end export trade monopoly

By Tim Coone in Managua

THE COFFEE trade in the Central American country of El Salvador is to be opened once again to the private sector, after nine years of nationalisation.

The measure, announced by Mr Antonio Cabrales, the Agriculture Minister, is the first of a series of important economic reforms promised by the new Arena-controlled Government, which took office at the beginning of June. He said that Incafe, the state coffee board, would continue to function, but that private growers would in future be able to make their own contracts with overseas buyers.

Nationalisation of the coffee trade in 1980 and subsequent agrarian reform have been major points of conflict between the centrist Christian Democrat party and the right-wing Arena party throughout the course of this decade. The defeat of the Christian Democrats in last March's elections, however, presages a roll-back of the earlier reforms including a possible denationalisation of the banking sector and a break-up of the agricultural co-operatives established through the agrarian reform.

The principal argument against denationalisation has been that private sector control of foreign trade encourages and facilitates capital flight.

El Salvador's decade-long guerilla war has undermined business confidence and has badly affected coffee production. Some 86,000 hectares of plantations have been abandoned or sold in the past 10 years, leaving only 185,000 hectares in production, according to figures supplied by Ucafes, the Union of El Salvador Coffee Grower Co-operatives. Before nationalisation, the trade was traditionally in the hands of big growers who exercised an oligopolistic control over the local market.

Coffee is El Salvador's main foreign currency earner, representing between 55 and 65 per cent of total exports depending on production and price. This is despite the fact that output has fallen by over half to just 2m quintals (1 quintal = 46 kg) from its peak of 4.4m quintals in 1974, and is a reflection of the effects of the war on other sectors of the economy as well.

In neighbouring Nicaragua, the Government is also under pressure partially to denationalise the state monopoly on coffee trade. Last week a meeting of private growers decided to pull out of the National Coffee Commission, a forum of trilateral talks between growers, government and trade unions, arguing that none of their demands had been heeded, one of which was a removal of the state monopoly in coffee exports. Three leaders of Ucafenic (Union of Nicaraguan Coffee Growers) subsequently had their coffee farms expropriated by the Sandinista Government in a retaliatory measure of dubious legality, for having in the same meeting refused to recognise the authority of the Government and, according to Mr Jaime Wheelock, the Agriculture Minister, for attempting to spread "anarchy and economic chaos."

Officials of Encafe, the Nicaraguan State Coffee Board, argue that their monopoly market power has enabled Nicaragua to obtain higher average prices for its exports and has moved Nicaragua from fifth to second place in the Central American league for average export prices. Mr Jose Aguirre, a senior economic adviser at Encafe said: "The door is always open for negotiation, but handing over marketing entirely to the private sector is out of the question."

Tight supplies 'could keep zinc firm'

By David Blackwell

TIGHT SUPPLIES of zinc suggest prices could remain firm until the end of the year, according to a report from Rudolf Wolff, the London trader.

"The zinc industry appears to be holding its breath, hoping that an economic slowdown and gradual increase in refined and concentrate metal supplies will allow a soft landing towards the year end. Until then, however, there are fears that disruptions to supplies, particularly in Peru, and strong demand in galvanising will continue to underpin current high prices," the report concludes.

Non-communist world mine supply is forecast to be 5.35m tonnes this year, 4 per cent ahead of 1988 when Peruvian production fell 20 per cent because of strike action. This year Peruvian output should recover from last year's 475,000 tonnes, and mines in Canada, Australia and the US are expanding production.

Most important will be the commissioning in October of the Red Dog project in Alaska, where concentrate output is set to reach 325,000 tonnes.

Refined supplies remain sensitive to strikes and technical problems, says the report. The industry's high capacity utilisation is likely to increase the chances of technical difficulties and consequent production losses.

Demand is being constrained by lack of production. Western refined zinc consumption is expected to grow by only 1 per cent this year to 5.35m tonnes. In 1988 it grew 5 per cent.

This year's small growth reflects higher price levels as well as the forecast economic slowdown later this year.

The galvanising industry, which accounts for 45 per cent of zinc consumption, is planning 26 new galvanising lines worth $5bn between now and 1991, and further announcements are likely as the sector is relatively price insensitive.

The diecasting and brass sectors, which account for 15 per cent and 20 per cent of zinc respectively, remain firm – but are sensitive to price.

Nevertheless, overall consumption remains good in spite of customers attempting to reduce demand by using thinner coatings, drawing down stocks and delaying orders. "The recent recovery in prices has also left many customers in a quandary as they try to hold off from current price levels in the hope the market will weaken. Accordingly, any fall in price should merely attract increased demand."

Producer stocks, at about 300,000 tonnes, are 20,000 tonnes below year-end levels and represent only three weeks' consumption. Pressure on stocks has been partly maintained by the London Metal Exchange's introduction of the special high grade zinc contract, for which producers undertook to provide liquidity.

Consumer stocks have been drawn down in the face of higher prices and probably stand at 140,000 tonnes, says the report. They are unlikely to be rebuilt unless prices weaken significantly.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	+15,825	to 135,050
Copper	−850	to 81,675
Lead	−1,250	to 34,325
Nickel	−672	to 1,519
Zinc	+2,575	to 31,400
Tin	+1,100	to 2,740
Silver (oz).	unchanged	at 7,976,000

Devaluation calms Brazil's soya rebels

By John Barham in Sao Paulo

SAO PAULO traders report that local soyabean market is returning to normal, following a farmers' protest against low prices that have lasted for more than a month.

On Friday, the government decreed a 12 per cent devaluation of the Brazilian Cruzado, going part of the way to satisfying the producers' demands for a 25 to 30 per cent devaluation.

Mr Orestes Lavagnini, a Sao Paulo grain trader, reported that: "The market has stabilised. The farmers have lifted their road blocks in the south and exports are returning to normal." Prices are now within the local price range farmers had been demanding. Traders are now paying a maximum of $12.35 for a 60 kg bag in southern Brazil, a main producing region.

However, farmers in the remote centre west of Brazil are still unhappy and have maintained roadblocks and sales boycotts in many regions of Mato Grosso.

They face higher production and transport costs and complain that the higher prices still do not provide a satisfactory profit margin.

Traders warn that prices are now slipping as farmers begin making major sales to make up for lost income during their sales boycott. Domestic soya oil prices have already fallen 13 per cent and meal export markets are weakening.

US orange aims to beat the frost

US AGRICULTURE Department scientists have developed a new more cold-resistant hybrid orange, Ambersweet, which could eventually reduce US dependence on imported orange juice.

US demand for juice exceeds domestic supplies. About $535 worth of juice was imported in 1987-88, mostly from Brazil, to bridge the gap.

The current early season American variety, Hamlin, has a pale colour and must be mixed with deeper coloured juice, like Valencia, to meet US colour standards. Processors generally import and store juice to mix with Hamlin.

Florida's Valencia, which account for about 40 per cent of the state's crop does not ripen until the April-May period – two to five months after Hamlins. Ambersweet ripens by mid-October.

The new orange will be available in commercial nurseries within a year, but it takes about four years to produce a crop.

Thatcher denies plan to break up farm ministry

By Bridget Bloom, Agriculture Correspondent, in Stoneleigh

MRS MARGARET Thatcher, the British Prime Minister, yesterday declared that she had no intention of breaking up the Ministry of Agriculture, Fisheries and Food, a move widely canvassed over the past few months in the wake of the salmonella and listeria food health scares.

Her firm defence of the ministry came as she opened the 150th Royal Show at Stoneleigh, in Warwickshire, in tones that seemed to be aimed at deflecting mounting criticism of the Government's agricultural policies from farmers' organisations.

Sir Simon Gourlay, President of the National Farmers' Union, told a press conference yesterday that the reforms of the European Community's Common Agricultural Policy, together with rising inflation in Britain and a fluctuating exchange rate for sterling, were leading to an investment crisis for the country's farming industry.

Farmers' investment had fallen by 40 per cent over the last five years, and would probably fall a further 10 per cent this year. This raised serious doubts about Britain's ability to maintain its competitive position on the creation of the single European market in 1992.

Sir Simon said that the Government seemed not to realise the danger facing the arable sector in particular, and called for the abolition of the co-responsibility levy, the special tax on cereals, which has been imposed by the EC Council of Ministers but long opposed by British farmers.

Mrs Thatcher's announcement that she would not dismember the agriculture ministry came at the end of a speech in which she went out of her way to praise farming's achievements over the past few years.

The dismemberment of the ministry and the formation of

Margaret Thatcher: Unexpectedly benign

a separate ministry, or independent agency, for food standards has been called for by a variety of consumer organisations, as well as by the Labour Party.

Yesterday, Mrs Thatcher said that, while she had "read in the newspapers" that she intended to break up the ministry, she did "not propose to do any such thing."

She reiterated, however, that the Government would soon be introducing new legislation to strengthen the law on food safety.

Mrs Thatcher's farming audience seemed somewhat taken aback by her paean of praise for farming, particularly since the Prime Minister has been widely held to be the prime mover behind Britain's support for CAP reforms, which are now having their impact on farming incomes.

Referring to farmers as "the backbone of our society," the Prime Minister pointed to the marked increases in farm productivity over the last 20 years and to the tenfold increase in agricultural exports.

She also complimented British farmers on their ability to increase agricultural production while conserving the nation's countryside – "still one of the most beautiful in the world."

Mrs Thatcher acknowledged that the CAP reforms – "which we have got broadly right" – had badly affected arable farmers' incomes. This was partly because there had been poor harvests recently. However, she maintained that ultimately the reforms, which had now greatly reduced publicly-financed food mountains, would also make British farmers more competitive in the long run.

Sir Simon later described the Prime Minister's speech as unexpectedly benign.

The NFU, however, is continuing its call for Britain to enter the exchange rate mechanism of the European Monetary System to stabilise exchange rates, as well as the abolition as a shorter term measure of the co-responsibility levy on cereals.

The tax is levied at rates which vary between 3 and 6 per cent a tonne, depending on the total EC harvest. The NFU estimates that its abolition, if it were being applied at the full rate, would save British cereal farmers £100m in a full year.

At a later press conference Mr John MacGregor, the Minister of Agriculture, said the Government had long been opposed in principle to the co-responsibility levy and still believed that it was not the right way to tackle the cereals problem.

However, the immediate point at issue was whether the extra 3 per cent levy should be paid this year or not and no decision could be taken until a more accurate assessment of the European harvest as a whole could be made.

Mr MacGregor suggested that he would discuss the issue with Mr Raymond MacSharry, the EC Agriculture Commissioner, who is visiting the Royal Show, and hoped that it could be raised at the next European Farm Council in late July.

Hog prices plunge in Chicago

By Deborah Hargreaves in Chicago

HOG futures prices on the Chicago Mercantile Exchange plummeted yesterday and remained locked at their lowest limits as traders rushed to clear out of the market before today's July 4 holiday.

The sudden plunge in live hog futures followed Friday's release by the US Department of Agriculture of a report that showed the US hog herd was not shrinking as fast as traders and analysts had been expecting.

The hog herd, at 43.7m head, was only 1 per cent lower than in June last year the department reported. Most analysts had predicted a 4 per cent drop in hog numbers.

Hog-farming has yielded poor profits for the last nine to ten months, leading analysts to expect higher rates of slaughter. Last year's US drought had pushed up the price of maize, which made it more costly to feed livestock.

At the same time, traders had been pointing to a rise in sow slaughtering, which had led them to expect a reduced breeding rate. This has proved not to be the case, however, as farmers have been holding back younger pigs for breeding.

"In the short-term these numbers are very negative," one trader said yesterday, "but producers may see that the futures prices are giving them little room to hedge and may now start liquidating." However, he does not expect to see much support for prices until February or March next year, when another round of slaughtering will begin.

WORLD COMMODITIES PRICES

LONDON MARKETS

NEWS OF an important US labour settlement sent copper prices down to 7½-month lows on the London Metal Exchange yesterday. Despite steadying somewhat in late trading the cash LME quotation closed £73 lower at £1,538.50 a tonne. The three months position was £71 down at £1,516.50 a tonne. The settlement, at Magma copper, is subject to union members' ratification, but traders did not doubt that this would be forthcoming. The price fall came despite a further fall in LME warehouse stocks of copper. An 850-tonne decline took the total to a 5-month low of 81,675 tonnes. Bearish sentiment was encouraged by news that labour talks were continuing at Highland Valley and that work was expected to resume today at Metallurgie Hoboken Overpelt's Olen plant in Belgium.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.75-5.85w	+0.25
Brent Blend	$18.40-8.50	+0.30
W.T.I. (1 pm est)		
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$210-212	
Gas Oil	$147-148	+2
Heavy Fuel Oil	$87-88	
Naphtha	$161-163	+2.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$375.25	+4.00
Silver (per troy oz)♣	520c	+6
Platinum (per troy oz)	$503.5	+4
Palladium (per troy oz)	$154.0	-0.5
Aluminium (free market)	$1775	-80
Copper (US Producer)	114⅝-116c	
Lead (US Producer)	38.5c	
Nickel (free market)	600c	+25
Tin (European free market)	$9990	
Tin (Kuala Lumpur market)	26.37r	-0.13
Tin (New York)	459.25c	-3.25
Zinc (US Prime Western)	80⅝c	
Cattle (live weight)†	119.08p	+0.15*
Sheep (dead weight)†	177.39p	+4.36*
Pigs (live weight)†	90.78p	+5.89*
London daily sugar (raw)	$358.0x	+7.8
London daily sugar (white)	$465x	+15
Tate and Lyle export price	£343.5	+2.5
Barley (English feed)	£106.0w	+0.5
Maize (US No. 3 yellow)	£131.5	
Wheat (US Dark Northern)	£133	
Rubber (spot)♥	60.50p	-0.5
Rubber (Aug)♥	64.50p	-1.0
Rubber (Sep)♥	65.25p	-1.00
Rubber (KL RSS No 1 Jul)	256.0m	+0.5
Coconut oil (Philippines)§	$550t	
Palm Oil (Malaysian)§	$340w	
Copra (Philippines)§	$350	
Soyabeans (US)	£207	+2
Cotton "A" index	80.30c	+0.05
Wooltops (64s Super)	622p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Aug. z-Sep. u-Jun/Jul. x-Jul/Aug. t-Aug/Sep. †Meat Commission average fatstock prices. * change from a week ago. §CIF Rotterdam. ♣ Bullion market close. ♥London physical market. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Jul	833	823	833 822
Sep	853	853	857 847
Dec	907	909	913 905
Mar	828	900	901 896
May	906	908	912 907
Jul	919	923	926 920
Sep	934	936	937

Turnover: 3298 (6554) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 30 1040.98 (1035.80) :10 day average for Jul 3 1027.40 (1025.05)

COFFEE £/tonne

	Close	Previous	High/Low
Jul	948	1020	1041 955
Sep	940	1013	1040 937
Nov	945	1010	1035 945
Jan	980	1020	1043 978
Mar	980	1030	1055 973
May	1010	1050	1070 1025

Turnover: 5973 (3851) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 30: Comp. daily 97.12 (96.17) . 15 day average 100.48 (101.57)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Aug	323.00	321.00	323.60 317.00
Oct	324.40	321.00	325.00 317.00
Dec	316.00	311.00	311.00 310.00
Mar	306.60	302.00	307.80 300.00
May	303.80	298.00	304.40 301.60
Aug	297.00	292.60	
Oct	288.00	279.20	284.00
White	**Close**	**Previous**	**High/Low**
Aug	453.00	442.00	452.00 443.00
Oct	411.00	401.00	412.00 402.00
Dec	391.00	387.00	392.00 391.00
Mar	375.00	371.00	381.00 370.50
May	373.50	369.00	372.00 371.00
Aug	373.00	367.50	372.00

Turnover: Raw 8463 (9944) lots of 50 tonnes. White 2427 (2627).
Paris- White (FFr per tonne): Aug 2391 Oct 2679, Dec 2520, Mar 2460, May 2455, Aug 2450, Oct 2300.

CRUDE OIL $/barrel

	Close	Previous	High/Low
Aug	17.83	17.53	17.84 17.58
Sep	17.39	17.14	17.40 17.17
IPE Index	17.55	17.42	

Turnover: 2701 (5801)

GAS OIL $/tonne

	Close	Previous	High/Low
Jul	148.50	143.25	146.50 143.00
Aug	146.75	144.00	146.25 143.50
Sep	148.00	145.75	148.00 145.00
Oct	150.00	147.25	149.00 148.25
Nov	151.50	149.25	151.00 150.00
Dec	152.00	151.00	151.75

Turnover 2856 (2821) lots of 100 tonnes

TEA
There were 16,620 packages on offer including 4,800 packages in the offshore section, reports the Tea Brokers Association. A strong and general demand prevailed with the brightest teas fully firm. Good mediums sold well at dearer rates while Central Africans again attracted solid competition and remained firm to sometimes dearer. Ceylons were well supported although prices proved irregular following quality. Offshore teas sold well at very firm rates and the Kenya offerings mostly 2p-4p dearer. Quotations: quality 195p (same), medium 127p (same), low medium 105p (100p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 21,675 tonne
Cash	1785-65	1805-15		1775-8		
3 months	1770-5	1782-4	1790/1760	1762-4	1772-3	33,264 lots
Copper, Grade A (£ per tonne)						Ring turnover 38,800 tonne
Cash	1536-9	1610-3	1536/1535	1536-8		
3 months	1516-7	1587-8	1541/1511	1519-20	1521-2	74,394 lots
Lead (£ per tonne)						Ring turnover 6,675 tonne
Cash	426-30	433.5-5.5	434/431	432-4		
3 months	411-1.5	416.5-7	414/410	413.5-4	411-2	9,347 lots
Nickel ($ per tonne)						Ring turnover 1,146 tonne
Cash	12950-3000	12900-3000	13100/13000	13100-50		
3 months	11800-25	11600-50	11950/11700	11775-825	11925-50	6,609 lots
Tin ($ per tonne)						Ring turnover 185 tonne
Cash	9950-80	9990-10020		9900-50		
3 months	9960-70	9970-80		9900-50	9950-60	1,746 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 2,775 tonne
Cash	1635-45	1665-85	1635/1630	1625-35		
3 months	1555-60	1580-2	1560/1540	1540-5	1560-5	11,087 lots
Zinc ($ per tonne)						Ring turnover 3,150 tonne
Cash	1580-90	1615-25		1555-65		
3 months	1480-5	1510-5	1485/1470	1465-75	1490-5	9,347 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	130.0	120.0	120.0 119.0
Feb	150.0	140.0	
Apr	208.5	195.9	208.5 195.5
May	230.0	217.0	222.0 216.0

Turnover 626 (281) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Aug	156.50	159.00	155.00
Oct	149.00	152.50	149.50 148.00
Dec	146.50	150.00	146.50

Turnover 192 (55) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jul	1373	1380	1375 1370
Oct	1505	1505	1505 1500
BFI	1414	1413	

Turnover 102 (128)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Sep	106.25	106.25	
Nov	109.30	109.40	109.60 109.40
Jan	113.05	113.15	113.30 113.15
Barley	**Close**	**Previous**	**High/Low**
Sep	104.80	104.65	104.85 104.75
Nov	108.50	108.50	108.70 108.65
Jan	112.00	111.80	112.00 111.80

Turnover: Wheat 32 (121), Barley 65 (33).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	112.0	111.0	111.5
Oct	116.5	116.0	116.0
Nov	117.0	117.0	
Feb	110.5	109.5	109.5
Apr	111.3	110.5	110.5

Turnover 18 (-) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	375-375½	237½-238
Opening	375-375½	239¾-240¼
Morning fix	375.4	238.88
Afternoon fix	374.5	238.166
Day's high	375½-376	
Day's low	373¼-373¾	

Coins	$ price	£ equivalent
Mapleleaf	386-391	244½-247½
Britannia	386-391	244½-247½
US Eagle	386-391	244½-247½
Angel	385-390	244-247
Krugerrand	374-377	237-239
New Sov.	88¼-89	56-56¾
Old Sov.	88¼-89	56-56¾
Noble Plat	505.75-513.85	321.2-326.35

Silver fix	p/fine oz	US cts equiv
Spot	331.05	519.25
3 months	342.85	531.25
6 months	354.70	543.15
12 months	377.95	566.65

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1700	108	99	32	46
1800	56	52	77	95
1900	23	23	143	164
Copper (Grade A)	**Calls**		**Puts**	
2250	175	157	49	84
2350	116	108	88	132
2450	73	71	142	192

LONDON FOX TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
900	82	165	42	120
950	56	143	66	146
1000	37	73	97	128
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
800	62	122	9	16
850	30	87	27	31
900		58		53

US MARKETS

IN THE METALS, gold and silver firmed due to the weak US dollar, reports Drexel Burnham Lambert. Copper fell on news of a strike settlement. Trading was very slow in front of the US holiday today. The softs were also slow with cocoa prices gaining from commission house and fund buying. Coffee futures sank as no agreement was made by the ICO. Sugar trading was dominated by local players. A bearish report weakened the livestocks. Pork belly and hog futures fell down the limit. Cotton futures advanced on from elected buy stops. The grains featured higher prices in the deferred months of the soy complex. Wheat and corn were mixed in non-eventful dealings.The New York mercantile exchange was closed ahead of todays holiday.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	378.4	374.6	0	0
Aug	381.1	377.3	381.5	377.2
Sep	383.1	379.3	382.0	380.0
Oct	386.9	381.3	385.0	381.5
Dec	389.1	385.4	388.5	385.3
Feb	393.2	389.5	390.5	390.1
Apr	397.3	393.6	0	0
Jun	401.4	397.7	0	0
Aug	405.5	401.8	405.0	405.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	523.0	515.5	523.0	517.5
Aug	526.8	519.6	0	0
Sep	531.5	524.3	531.9	525.5
Dec	543.8	536.6	544.0	538.0
Jan	547.1	539.9	0	0
Mar	554.8	547.7	553.0	553.0
May	562.8	555.6	559.0	559.0
Jul	571.1	563.6	566.5	567.8
Sep	579.4	572.1	0	0
Dec	591.2	583.9	591.5	590.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	101.00	105.80	103.70	100.80
Aug	100.70	104.65	0	0
Sep	100.45	103.80	101.80	99.80
Dec	98.95	101.20	100.50	98.65

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1222	1210	1233	1224
Sep	1241	1229	1259	1235
Dec	1279	1262	1302	1271
Mar	1290	1272	1304	1285
May	1300	1281	1302	1300
Jul	1315	1297	0	0
Sep	1335	1310	0	0
Dec	1333	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	97.63	113.70	110.50	93.76
Sep	93.84	108.66	105.90	92.75
Dec	99.50	105.50	104.00	99.50
Mar	101.79	107.79	108.00	101.79
May	104.50	110.50	108.00	104.50
Jul	104.00	110.00	108.00	104.00
Sep	105.00	111.00	107.50	105.00
Dec	99.00	0	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	14.47	14.43	14.55	14.20
Jan	13.40	13.10	0	0
Mar	13.65	13.56	13.74	13.43
May	13.45	13.39	13.54	13.35
Oct	12.98	12.91	13.03	12.98

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	68.00	67.80	68.20	67.80
Oct	71.10	70.42	71.40	70.90
Dec	71.60	70.73	71.70	71.31
Mar	72.25	71.50	72.35	72.00
May	73.00	72.00	73.00	72.60
Jul	73.00	72.25	73.00	72.50
Oct	68.80	68.18	68.60	68.75

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	740/4	735/0	743/0	730/0
Aug	714/4	708/4	717/0	705/4
Sep	685/4	670/0	688/0	673/0
Nov	672/0	653/4	675/0	658/4
Jan	678/6	660/2	681/4	666/0
Mar	687/0	668/0	688/4	674/0
May	691/4	673/0	692/0	679/0
Jul	690/4	673/0	691/0	680/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	21.06	20.53	21.20	20.40
Aug	21.35	20.71	21.42	20.60
Sep	21.60	20.92	21.65	20.75
Oct	21.72	21.05	21.80	20.95
Dec	22.22	21.37	22.25	21.18
Jan	22.25	21.50	22.35	21.40
Mar	22.55	21.72	22.60	21.90
May	22.65	21.75	22.60	22.70

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	218.2	215.6	219.2	214.5
Aug	212.6	209.0	213.2	207.8
Sep	207.7	203.1	208.5	203.0
Oct	204.0	197.0	205.0	198.5
Dec	202.2	195.1	203.0	197.0
Jan	200.0	193.8	200.0	197.0
Mar	200.2	193.5	201.0	199.5
May	198.2	193.0	198.0	198.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	272/0	266/6	272/4	267/0
Sep	262/6	255/4	263/6	257/0
Dec	261/4	252/6	262/0	256/0
Mar	267/6	259/6	268/0	261/6
May	269/0	261/6	270/0	263/0
Jul	269/0	261/6	269/4	265/0
Sep	256/0	252/0	0	0
Dec	248/0	243/6	249/0	244/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	394/4	397/2	398/0	394/0
Sep	402/2	404/6	404/0	400/4
Dec	414/2	416/6	415/4	412/4
Mar	416/4	418/2	417/4	415/0
May	404/0	405/0	404/0	402/0
Jul	370/0	371/0	370/0	368/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	69.82	70.15	69.95	69.12
Sep	70.56	71.10	0	70.50
Oct	72.70	73.10	72.70	72.12
Dec	72.10	72.32	72.15	71.50
Feb	71.10	71.40	71.15	70.60
Apr	72.00	72.25	72.15	71.62
Jun	70.67	71.05	70.80	70.60
Aug	69.57	69.85	0	69.55

LONDON STOCK EXCHANGE

Little strength behind equity rally

A CAUTIOUS rally in the UK stock market was restrained yesterday by discouraging reports on economic progress on both sides of the Atlantic. Share prices made a brave start in early dealings but turnover was lamentably thin and it was left to a batch of bid and other special situations to provide the features of the day.

London drew some cheer towards the end of its own trading session by Wall Street's firm opening in the face of a report from purchasing managers suggesting a further slowdown in the American economy last month. It was the disclosure of an unexpected downturn in the US economy in May which prompted last week's setbacks in both the Wall Street and UK stock markets. However, international funds were clearly unwilling to take new decisions ahead of the closure today of US markets for Independence Day.

Account Dealing Dates

First Dealings:		
Jun 19	Jul 3	Jul 17
Option Declarations:		
Jun 29	Jul 13	Jul 27
Last Dealings:		
Jun 30	Jul 14	Jul 28
Account Day:		
Jul 10	Jul 24	Aug 7

*New time dealings may take place from 9.00 am two business days earlier

London share prices moved ahead at the opening of the equity sector, encouraged by a firmer performance by sterling and an easing in domestic money market rates. There was little institutional activity, however, as shares drifted upwards to show a gain of just over 11 points on the FT-SE scale. Little heed was paid to data on UK retail sales (revised) and credit business for last month.

Prices came off the top fairly quickly and confidence was subdued throughout the session. The market closed on an unenthusiastic note, with traders resigned to a difficult week which takes in both the US holiday and the threat of another one day transport strike in the UK.

At the close, the FT-SE Index was 14.6 up at 2,165.6, while Seaq volume of 410.8m shares compared with only 550.4m on Friday. Gains were scattered across the range of the market but traders had little to do.

The features of the day stood out all to clearly against the generally drab backcloth. Ward White responded vigorously to an £800m bid from Boots, whose shares fell sharply despite Ward White's rejection; the market sensed another bid fight in the retailing sector and believes Boots will have to pay dear.

A further fall in Plessey shares followed confirmation that talks are planned with GEC, aimed at settling the protracted bid battle between the two electronics/defence companies. The market has been growing increasingly nervous as it has waited for the Ministry of Defence to give its ruling on the proposed GEC/Siemens bid for Plessey.

Consolidated Gold Fields continued to edge closer to the £15 price which the market is convinced Hanson will agree to pay for the equity of the mining and industrial giant; turnover increased significantly, although there were no new developments in the saga yesterday.

FINANCIAL TIMES STOCK INDICES

	Jul 3	Jun 30	Jun 29	Jun 28	Jun 27	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.47	85.01	85.03	85.55	85.35	87.54	89.29 (9/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.33	96.27	95.94	96.02	96.01	97.24	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1791.6	1784.5	1809.6	1832.4	1829.7	1478.3	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	195.2	196.4*	196.2*	193.2	192.6	213.1	196.2* (29/6)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

	Jul 3	Jun 30	Jun 29	Jun 28	Jun 27	Year Ago
Ord. Dl. Yield	4.48	4.50	4.43	4.36	4.36	4.63
Earning Yld %(full)	10.53	10.57	10.43	10.27	10.28	11.55
P/E Ratio(Net)(☆)	11.46	11.41	11.57	11.75	11.74	10.54
SEAQ Bargains(5pm)	25,078	27,760	25,931	25,374	27,088	23,821
Equity Turnover(£m)†	-	1349.05	1489.87	1266.19	1288.37	873.58
Equity Bargains†	-	31,514	28,437	29,033	27,501	24,077
Shares Traded (ml)†	-	512.2	458.6	446.2	418.1	371.6

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1784.4	1788.2	1785.8	1787.0	1787.8	1789.3	1788.6	1789.3

DAY'S HIGH 1791.7 DAY'S LOW 1784.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 11.35 †Excluding intra-market business. *Official recalculation following data error.

● S.E. ACTIVITY

Indices	Jun 30	Jun 29
Gilt Edged Bargains	93.4	94.4
Equity Bargains	204.2	184.3
Equity Value	2728.8	3009.4
5–Day average		
Gilt Edged Bargains	103.9	101.8
Equity Bargains	188.7	182.7
Equity Value	2703.1	2758.3

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	3,400	179	+2	Coalite	405	337		Laporte	112	438	+3	Royal Bk of Scotland	75	370	-1
Allied-Lyons	848	456	+6	Courtaulds	487	355	+3	Legal & General	199	311	+3	Royal Insurance	931	389	+4
Amstrad	1,000	81	+3	Dalgety	409	357	+3	Lloyds Bank	674	334		STC	398	349	+5
Argyll Group	675	207	+1½	Dixons	1,700	143	+3	LASMO	1,000	489	+9	Scottish & Newcastle	116	312	+1
Ass. Brit. Foods	270	369		Eng. China Clays	85	494	+2	Lonrho	322	275	+1	Sainsbury	3,400	249	+3
BAA	567	343	+4	Enterprise Oil	644	589	+9	Lucas	383	644	+4	Scott & Newcastle	1,300	337	+2
BAT Inds.	1,300	652	+6	FKI Babcock	2,100	172	+2	MB Group	51	188	+1	Sears	2,900	114	+1½
BET	196	284	+2	Fisons	283	383	+2	MEPC	194	570	+4	Shell Transport	1,800	424	+4
BICC	920	391	+6	Gateway Corp.	5,200	238	-½	Marks & Spencer	1,200	191	+1½	Siebe	142	588	+4
BOC	190	505	+3	General Accident	39	925	-3	Maxwell Comm.	406	172	+4	Slough Ests.	80	336	+2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots	16,000	269	-21	GUS A	73	1037	+7	P & O	523	630	+4	TSB	1,100	182	
Brit. & Comm.	860	158	+4	GRE	299	385	+2	Pilkington	580	229	+2	Tarmac	610	316	+3
Brit. Aerospace	970	673	+7	GKN	340	395	+6	Plessey	11,000	236	-17	Tate & Lyle	574	286	+2
British Airways	1,500	205	+1	Guinness	457	504	+3	Polly Peck Intl.	1,300	236	+8	Taylor Woodrow	94	315	+3
British Gas	2,800	194½	+3	Hammerson 'A'	32	794	+5	Prudential	3,400	176½	+5½	Tesco	5,200	182½	+1½
British Land	1,200	360	+5	Hanson	3,100	234	+1½	RMC	454	454	+2	THORN EMI	1,300	738	+4½
BP	2,600	299½	+3	Harrisons & Cros.	1,500	145		RMC	51	767	+1	Trafalgar House	311	351	+2
British Steel	10,000	123½	+1	Hawker Siddeley	207	723	+14	RTZ	473	485	-4	Trusthouse Forte	8,400	321	+7
British Telecom	2,700	252		Hillsdown Hldgs.	1,400	271	+6	Racal	2,000	434	+5	Ultramar	2,900	317	+7
Burmah Oil	142	616	+4	IMI	56	239	+2	Rank Org.	200	1006	+11	Unilever	865	593	+6
Burton	9,300	229	+3	Imp. Chem.	942	1263	+2	Reckitt & Colman	191	1113	+11	United Biscuits	3,600	370	-1
Cable & Wireless	958	519	+2	Inchcape	293	364	+1	Redland	232	506		Utd. Newspapers	38	428	+1
Cadbury Schweppes	715	359½	-½	Jaguar	238	353	+4	Reed International	1,700	416		Wellcome	485	440	
Carlton Comms.	231	818	-6	Kingfisher	1,100	312	+8	Reuters	294	782	-7	Whitbread 'A'	1,500	345	+7
Commercial Union	1,400	378	+4	Ladbroke	985	291		Rolls Royce	1,400	192	+2½	Williams Hldgs.	2,000	249	+1
Cons. Gold Fields	670	1470	+8	Land Securities	566	571	+5	Rothmans	146	574	-1	Wimpey	209	255	+2

Plessey tumbles again

Plessey shares were given another rough ride in the market yesterday after weekend Press reports confirmed that GEC/Siemens had been holding talks with Plessey over the possibility of buying Plessey's 50 per cent stake in the GPT telecommunications joint venture, and that a full bid for Plessey might not therefore materialise.

Sold hard late on Friday afternoon when suggestions of the talks began to filter into the market, Plessey shares dropped even more sharply yesterday, touching 229p at one point before steadying to close a net 17 off at 236p. Turnover was 11m shares, much higher than usual.

Sector specialists were taking the view that discussions between GEC/Siemens and the Ministry of Defence over conditions for the duo to re-bid for Plessey had reached an advanced stage, as had the talks with Plessey over the latter's GPT stake. "We are expecting hard news some time this week," said one. He added that if Plessey was to sell the GPT stake, for perhaps some £700 to £750m, then the GEC/Siemens 15 per cent stake in Plessey would possibly also be part of the deal.

"But it makes you wonder if GEC is talking the Plessey share price down ahead of launching a bid much lower than the market expects," said one analyst. The original bid was 225p a share, with a subsequent market raid carried out at 265p a share. GEC slipped 1½ to 253½p on turnover of 8.8m shares.

Ward White bid

The long-awaited bid in the Stores sector arrived in the shape of an £800m offer for Ward White from Boots, and judging by the closing prices the market expects a long fight. Ward White, after an early raid by broker Kleinwort Benson, on behalf of Boots, finished the day 117 higher at 442p, well above the 400p offer for the ordinary shares. Boots closed 21 lower at 269p on turnover of 16m.

Boots already has 10.65 per cent of its target, the bulk of which was acquired last week at 315p. Dealers believe Boots will have to raise its offer, perhaps to as much as 460p, to pick up more stock. One US securities house, Morgan Stanley, has already placed a break-up value of 500p a share on Ward White.

The Boots price fall sharply because of concern about the effect on earnings, said analysts. "Boots says there will be no dilution, but this is based on figures only up to January 1990; on a full year basis there would be dilution, even if the offer stays at 400p," said one. "What is worrying is that Boots has made a bid but has no obvious way to drive earnings ahead," said another.

Carlton placing

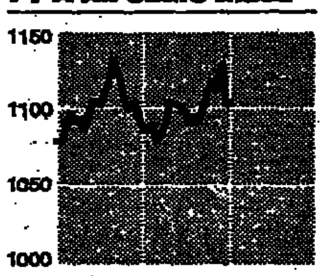
A £60m placing and analysts' switch recommendations combined to depress Carlton Communications, down 6 at 818p. The stock also went ex a 3.06p dividend. Two new instruments, Carlton Communications New and a convertible preference share, began trading. Both are consequences of Carlton's £500m takeover of UEI; 100 UEI shares are exchangeable for 56 Carlton New plus 229 of the convertibles.

BZW and Shearson Lehman jointly placed 5.7m new shares at £8 – the result of the conversion of Carlton's own holding in UEI – and the convertible at £1. The placing was oversubscribed. The new shares cannot be bought in the US and the absence of potential buyers there meant the new stock closed at a 5p discount to the old. The distinction between the two ends after six months. The convertible closed at 103p after touching 105p.

Ms Bronwen Maddox, at Kleinwort Benson, recommended switching out of Carlton into the convertible – yields are about 8 per cent and 1 per cent respectively. "Carlton's 14 times rating overestimates the predictability of its performance. The company has done so many big deals in a short time it is difficult to measure underlying growth," said Ms Maddox. The switch suggestion was echoed by Mr Jason Crisp, at County NatWest WoodMac. He added that Carlton's shares may be weak short term as investors with both UEI and Carlton adjust their weightings.

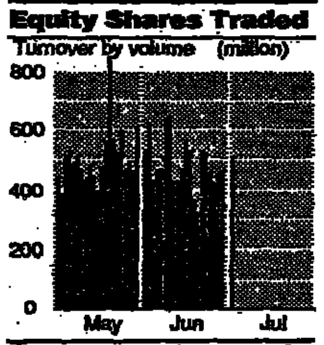
Goode Durrant, the financial services group, gained 6 to 134p after news that FAI Insurances, the Australian group, had sold its 14.9 per cent stake in the company to Winnedael NV., a company controlled by the Nash family trusts; Winnedael already holds a 5.25 per cent stake in Goode Durrant and said that in order to comply with Bank of England regulations it would place control of shares in excess of 15 per cent of Goode Durrant – some 2.55m shares – with Gilbert Eliott, the stockbroker. Stories in the market suggested that given Bank of England permission, Winnedael would eventually make a full bid for Goode Durrant.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Life assurances made progress and were featured by Prudential where dealers said strong Continental buying had lifted the shares 5¼ to 176½p on turnover of 3.4m.

Sun Alliance were quoted at 279p after being adjusted for the four-for-one scrip issue. London United suffered badly, slumping to 57p at one point after a Press report suggesting a subsidiary could face insurance claims of up to $300m; a subsequent strenuous rebuttal of the report by London United caused a late rally to 60p, a net decline of 9.

Scottish & Newcastle were traded nervously ahead of the full-year results. The market range for today's figures is £135m to £140m, but what concerned dealers most yesterday were stories that the company will sell its Thistle Hotels subsidiary, purchase a controlling stake in Holland's Center Parcs, and acquire the brewing operations of a big UK brewer, possibly Grand Metropolitan. S&N ended only 2 higher at 337p on light turnover, while GrandMet closed 7 firmer at 553p.

Trusthouse Forte were heavily traded, the stock adding 7 at 321p on turnover of 8.4m shares. Dealers sighted one large trade of 2.2m shares. Newarthill shares rocketed 380 to 2380p after the board revealed plans to buy back up to 25 per cent of its shares at £24 a share via a tender offer. Attwoods were down around 25 at one point as the market got wind of an adverse TV programme, but later picked up to close only 4 down on balance at 480p.

Coalite moved up 6 to 462p amid market hopes that Anglo United will soon increase its bid terms from the current 425p a share.

The oil sector made good progress, boosted by a strong performance from crude oil prices responding to voluntary production cuts by Abu Dhabi and the possibility of strikes by maintenance workers on North Sea rigs.

Ultramar were among the best performers and put on 7 to 317p after a report that the company is close to selling four of its six oil/bulk ore ships for $37m apiece, thereby raising some $148m. BZW took a positive view of the deal and reckoned it would add £5m to earnings in a full year and strengthen the balance sheet.

Enterprise jumped 9 to 589p, after 593p, with dealers noting that the first move by Elf's new head of operations was to put $500m into upstream operations via its Nigerian assets purchase.

Although Stores were enlivened by the bid for Ward White, turnover remained light. The exception were Burton, which added 3 at 229p as 9.3m shares went through the system.

Next advanced 6 to 138p in sympathy with the Ward White bid, while Kingfisher gained 8 at 312p on relief that it was not the predator.

Speculation that GEC might buy the Plessey GPT stake, leaving Plessey with its defence-related businesses, immediately sparked market stories that Plessey would use the money from GPT to launch a bid for Ferranti, the troubled defence electronics group. Ferranti, hit by a profits warning two weeks ago, is scheduled to reveal preliminary figures on July 14. Turnover in Ferranti expanded rapidly to 11m, but the share price could only manage a penny rise to 86p.

Racal Telecom fell 6 to 395p but parent company Racal Electronic managed a 5 gain at 434p, albeit in thin turnover of 2m. Amstrad were an erratic market, initially slipping to 79p, rallying to 82p and then closing a net 3 harder at 81p.

Unilever's $306m acquisition of Calvin Klein Cosmetics was well received by the market. Mr Carl Short, analyst with broker Kitcat and Aitken, edged up his forecast for current year profits by £30m to £1680m. The stock closed 6 better at 593p.

United Biscuits eased slightly to 370p on turnover of 3.6m shares after US group Pepsico revealed it was buying Walkers Crisps and Smiths Crisps from French group BSN for $1.35bn. UB were a strong market last week on speculation that Pepsico had built up a stake and was preparing a bid. Although the acquisition from BSN removed the likelihood of a bid from Pepsico, said analysts, it was still possible that the US group might make an offer for UB's Wimpy and Pizzaland restaurant chains. UB shares have also been buoyed recently by talk of Swiss interest.

Gestetner see-sawed in early trading after the stock went ex dividend and the company announced the £71m purchase of Australian-owned Hanimex. The initial fall was soon compensated for when dealers considered the deal in detail and a mixture of institutional and speculative buyers moved in.

Mr Peter Joseph, analyst at Smith New Court, said that the deal was "good value for money." But he warned that there was "concern over the earnings dilution implications of nil paid convertible preference share holding by Australian investment group AFP, which effectively runs Gestetner." AFP will only hold a majority of Gestetner shares if its convertible holding is paid up and converted. Gestetner Ord closed 22 better at 292p.

Carclo Engineering announced a 13 per cent rise in pre-tax profits but warned that margins were beginning to eroded. The stock fell 8 to 139p.

AAH Holdings climbed 11 to 408p ahead of year end figures tomorrow. USM-quoted RKF Group added 7 at 133p following presentations to institutions last month.

News that Prestwich Holdings was back in offer talks had been well leaked in the market. "Most of the business was done last week," said one marketmaker.

The company has mentioned 140p as a possible price per share, although Mr Angelos Anastasiou, analyst with broker Panmure Gordon, suggested that institutions would be unhappy with less than 150p. Prestwich closed 8 better at 130p on turnover of 636,000 shares.

Jaguar gained 4 to 353p after a US fund manager's selection of the stock was reported in the financial magazine Barron's. Lucas Industries benefited as marketmakers shuffled their trading positions and the shares rose to 648p before ending 4 up on balance at 644p.

Of the day's two debutant issues, uniform manufacturer Wensum were well-traded, peaking at 86p before easing back to settle at 83p and a 13p premium on the placement price of 70p, while Ensor, a diversified building materials and motor group, ended the day at 102p after being introduced at 100p.

Relief that the annual profits were better than some of the more pessimistic forecasts raised Textured Jersey 4 to 130p while Dawson International progressed to 214p as analysts reported favourably on last week's tour of the group's US operations. Courtaulds, higher still at 355p, remained the choice of many investors along with BAT Industries which advanced 6 to 652p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 24

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (78).
BRITISH FUNDS (4) BANKS (1) Deutsche Bank, BUILDINGS (4) Graham Wood, Newarthill, Culligold, Torex Hire, CHEMICALS (2) Allied Colloids, Coalite Grp., STORES (7) Amber Day, Austin Reed, Cramphorn, Glamar Grp., Ward White, Do.Cv. Pf., Wyevale Garden Centres, ELECTRICALS (9) Stick, Bowthorpe, CML Microsystems, Druck, Penny & Giles Int'l., Raion, TDK, Unidare, ENGINEERING (3) Aitken Comty, Expmt., Chemring Grp., Hill & Smith, Johnson & Firth, FOODS (1) Ferapak, INDUSTRIALS (17) Alfa-laval AB "B", Ass. Brit. Consultants, Assoc. Brit. Ports, BIMEO Inds., Barry Wehmiller, Caparo Inds., Caplin Grp., Charter Cons., DSC, Handley-Walker Grp., Macfarlane, Norfolk House Grp., RKF Grp., Ropner "A", Securiguard Grp., Syltone, YRM, INSURANCE (1) Aon, LEISURE (1) Prestwich, MOTORS (1) Armstrong Equipmt., NEWSPAPERS (1) Home Counties, PAPERS (5) Gaers Gross, Jarvis Porter, Yellowhammer, PROPERTY (2) Merivale Moore, Westminster & Country, SHIPPING (1) Runciman (W.), SOUTH AFRICANS (1) TRUSTS (8) OILS (4) OVERSEAS TRADERS (1) MINES (6) THIRD MARKET (2).

NEW LOWS (81).
CANADIANS (1) BANKS (3) ANZ, Hambros, BUILDINGS (2) Sharpe & Fisher, Wilson (Connolly), CHEMICALS (1) STORES (6) ELECTRICALS (11) ENGINEERING (3) Bailey (C.H.), Carlco Eng., SKF AB, HOTELS (1) INDUSTRIALS (11) Beazer, Cannon St. Inv., Dolphin Pack, Low & Bonar, Noble & Lund, Optical & Medical Int'l., Rauma-Repola, SI Grp., Stag Furniture, Sterling Inds., West Inds., INSURANCE (1) LEISURE (3) MOTORS (2) PAPERS (2) PROPERTY (2) TEXTILES (1) OILS (2) MINES (3).

APPOINTMENTS

Wimpey senior post

■ Mr Joe Dwyer has been appointed a group managing director of GEORGE WIMPEY, with responsibility for Wimpey Contracting and Wimpey Minerals. He joined the company as a junior engineer in 1955, and went on the group executive board in 1983. He has been deputy chairman, Wimpey Contracting, and chairman of Wimpey Minerals since his appointment to the main board in 1988.

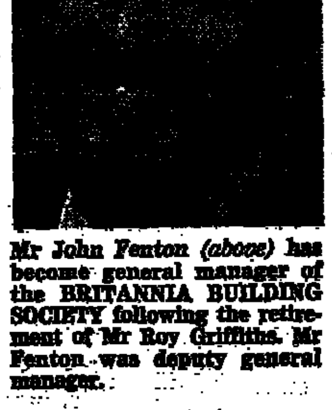
Sir Edward Johnston (above), former Government Actuary, and president of the Pensions Management Institute, becomes a director of NOBLE LOWNDES ACTUARIAL SERVICES today.

■ GERRARD VIVIAN GRAY, stockbroking subsidiary of Gerrard & National Holdings, has appointed Mr Angus Bain as an associate director in charge of institutional sales from July 17. He joins from Societe General Strauss Turnbull Securities, as does Mr Laurence Dunseath, who becomes a senior institutional sales manager. Subsequent to the acquisition of Spencer Thornton Northcote, the following have been appointed associated directors: Mr G.F. Barker, Mr H.W. Everett, Mr J.K. Hoskin, Mr D.S. Ridout, Sir Christopher Royden, Mr F. Taverner, and Mr B.E. Ward. Mr Mark Searle, who was marketing director at Thornton Investment Management and now runs GVG's unit trust asset management service, also becomes an associated director.

■ Mr John Lake, head of sales, has been appointed managing director of GREENWELL MONTAGU GILT-EDGED, part of Midland Montagu, international and investment banking arm of Midland Group. He succeeds Mr Steven Posford who is joining Salomon Brothers International.

■ TIFFANY & CO has appointed Mr Charles Noel as its European finance director.

■ Mr Michael Rolinson has taken over as managing director of ASH & LACY PRESSINGS, succeeding Mr Tony Parr who is joining A.J. Williams Holdings. Mr Rolinson joins from Darchem Aero where he is general manager.



Mr John Fenton (above) has become general manager of the BRITANNIA BUILDING SOCIETY following the retirement of Mr Roy Griffiths. Mr Fenton was deputy general manager.

■ Mr Roy Paramor has been appointed chairman and managing director of WILMOTT DIXON DESIGN AND BUILD. Mr Paramor was formerly with the Conder Group. He also joins the board of Wilmott Dixon Holdings, the parent company.

■ At RINGLAN COMPONENTS Mr Ray Jackson has become commercial director. He was formerly director of industry for Corby.

■ The INSOLVENCY PRACTITIONERS ASSOCIATION has appointed Mr Stephen J.L. Adamson, a partner in Arthur Young, as its treasurer. Mr C. Garth Macgirr has become president and Mr Richard A. Gitlin vice president.

■ Mr Stewart Hamilton has become deputy managing director of CITY MERCHANTS BANK.

■ MERRETT HOLDINGS, a Lloyd's underwriting agency, has appointed Mr Dennis Parkins to the board. He is the underwriter on non-marine syndicate 421 and managing director of one of the group's managing agency subsidiaries, Merrett Underwriting Agency Management. Mr John van der Hagen joins the board as a non-executive director.

■ Miss Susan Govier, an assistant secretary of THE TAKEOVER PANEL, has been made joint secretary.

■ At TR PROPERTY INVESTMENT TRUST the Marquess of Tavistock is to resign as chairman at the annual meeting on July 27. He will remain a director of the company and its subsidiaries. Mr Anthony Arnaud, vice chairman, will succeed him as chairman at that time.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	54.69	55.33	58.87	-1.07	4.65
Gilts & Fixed Int	6	109.8	109.8	116.4	+0.3	8.59
High Inc Equity	6	131.60	134.4	143.0	-2.0	4.44
Worldwide Bond	6	207.1	207.1xd	219.4	-1.1	4.42
Capital Growth						
American Growth	6	185.0	187.3	199.3	-4.3	0.95
Asian Pacific	6	97.83	99.64	106.0	-1.4	1.23
Assets & Earnings	6	158.7	162.2	172.6	-0.6	2.14
Capital Reserve Acc	0	85.54	85.54	85.60	+0.08	4.67
Commdty & Energy	6	101.4	104.7	111.4	-0.8	1.71
1992 Enterprise	6	57.95	59.06xd	62.86	-0.3	2.86
European Capital	6	88.30	89.01	94.70	-0.27	0.79
General	6	178.1	181.2	192.8	-0.2	2.35
International	6	46.21	46.51	49.48	-0.36	1.01
Japan	6	108.7	110.3	117.4	+0.9	0.00
Mastertrust	6	86.08	87.57xd	93.16	-0.5	1.82
UK Growth Acc	6	201.10	209.5	222.9	-0.3	1.26
UK Growth Dist	6	134.2	139.7	148.7	-0.2	1.88
US Emerging Cos	6	53.20	55.12	58.64	-1.91	0.00
Income & Growth	6	296.4	303.1	322.5	-0.5	3.18
Ethical	6	48.78	49.98xd	53.18	-0.32	1.88

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5	31.28	31.28xd	33.39	-0.52	3.33
European	5¼	66.85	66.99	71.51	-0.38	0.00
European Income	5¼	65.37	65.37xd	69.78	-0.36	2.98
Exempt	1	796.4	796.4	831.2	-7.40	2.20
Extra Income	5	43.01	43.02xd	45.91	+0.03	4.90

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stn Dist Gilt & FI	1¼	53.32	53.32	54.07	+0.03	12.92

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740 7070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5½	55.12	55.96	59.85	+0.26	2.70
Global Tst	5½	43.76	44.25	47.32	-0.11	2.01
Recovery Tst	5½	53.75	53.75	59.71	+0.44	1.92

CIGC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	107.6	108.9xd	114.9		3.68

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 1148

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America F	5	60.33	60.33	64.18	-1.20	0.63
CS International F	5	56.84	56.84	60.46	-0.39	1.70
CS Japan F	5	125.5	125.5	133.5	+1.2	0.32
CS Portfolio Inv & F	5	73.57	73.57xd	78.26	+0.12	1.39

Canada Life Unit Tst Mgrs Ltd (1200)F
2-6 High St, Potters Bar, Herts 0707 51122

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	5	143.8	146.3	154.0	-1.50	3.01
Do Gen Accum	5	239.7	244.1	256.9	-2.60	3.01
Do Income Dist	5	95.06	97.15	102.3	-0.40	5.51
Do Inc Accum	5	217.8	222.6	234.3	-0.90	5.51
Gilt & Fxd Int	5	36.48	36.53	38.46	+0.38	8.35

Cannon Fund Managers Ltd (0700)H
1 Olympic Way, Wembley, HA9 0NB
01-902 8876. Dealing: 0800 282621

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5¾	37.89	38.07xd	40.72	-0.43	2.50
Income	5¾	46.89	47.12xd	50.40	-1.19	4.09
Far East ♦	5¾	36.21	36.70	39.26	+0.12	0.06
North American ♦	5¾	35.66	36.01	38.52	-0.77	1.86
Global ♦	5¾	50.77	51.58	54.87	-0.37	1.79
European	5¾	56.82	57.62	61.30	-0.20	0.88
Japan ♦	5¾	104.2	105.6	113.0	+0.80	0.01
Intl Currency Bd	5¾	44.46	44.46	47.15	-0.17	6.36
Strategic Opps	5¾	54.13	54.40	58.18	-0.62	1.26

Capability Trust Mngrs Ltd (1200)F

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	120.1	122.2	129.9	-1.2	2.66
PM Income & Gth	5	103.2	105.1	111.8	-0.9	4.68
PM Nth Amer Gth	5	54.40	54.40	57.87	-0.9	1.30
PM European Gth	5	57.94	57.94	61.22	-0.24	0.72
PM Japan Gth	5	77.33	77.50	82.44	+0.59	0.30
PM Overseas Gth	5	52.73	52.73	56.09	-0.35	0.47

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Convtbl & Equity	5	62.86	65.67	69.86	-0.04	6.84
European	5	68.43	68.83	73.22	-0.02	0.09
Far Eastern	5	60.39	60.55xd	64.42	-0.55	0.67
Growth Inc	5	88.26	91.66	97.51	-0.22	1.42
Growth Acc	5	88.26	91.66	97.51	-0.22	1.42
Income Inc	5	82.73	84.63	90.03	-0.63	4.74
Income Acc	5	82.73	84.63	90.03	-0.63	4.74
Property Share	5	54.55	54.55	58.14	-0.07	0.99
Smaller Co's	5	58.62	61.97	65.92	+0.01	1.45
Nth American	5	63.53	63.53xd	67.94	-1.25	1.57
International	5	48.04	48.04xd	51.37	-0.3	1.42
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	112.30	112.30xd	117.30	......	4.05
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	62.94	65.47xd	69.65	+0.01	2.61
YUTM UK Eqty Inc Tst	5¼	60.22	62.37	66.35	+0.01	4.62
YUTM Intl Gwth Tst §	5¼	50.98	50.98	54.40	+0.28	1.00

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int. 1 Exmpt June 7	485.3	503.8	----	-
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund May 31		515.45	----	4.75
Fxd Int Sec May 31		139.45	----	10.25
Deposit May 31		100.00	----	12.45
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 01-280 2800				
C'inco Inc June 28	163.2	167.3xd	+1.20	9.90
C'inco Acc June 28	669.6	686.6xd	+5.10	9.90
C'share Inc June 28	152.9	158.6xd	+3.40	3.74
C'share Acc June 28	168.0	174.3xd	+3.70	3.74
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income May 31		487.57	----	4.90
Accum May 31		1620.94	----	-
Edinburgh Fund Mngrs PLC				

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Pac Basin Fd Acc(z)	167.8	176.6	-2.5	-
Property(z)	568.4	598.2	+0.2	-
Mltple Inv Pens Acc(z)	1442.1	1518.0	-5.0	-
Bristar Funds				
Prof. Pen. Fd	96.7	101.7	+0.1	-
YRA Strategy	118.5	124.7	-0.1	-
Langham Dollar (SE)	139.0	146.3	+0.9	-
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	261.8	275.6	+0.2	-
Equity Acc	856.2	901.4	-9.1	-
Property Acc	502.7	529.3	+3.0	-
Far East Acc	204.3	215.1	-0.6	-
European Acc	23.6	24.9	+0.1	-
Managed Acc	676.9	712.5	-4.5	-
Managed Cap	384.1	404.3	-3.2	-
O'seas Earnings Acc	567.9	597.8	-6.9	-
Gilt Edged Acc	312.6	329.1	+0.9	-
American Equity Acc	462.0	486.3	-13.7	-
American Man. Acc	214.5	225.9	-5.7	-
American Prop Acc	149.7	157.6	-0.4	-
Pen.F.I.Dep.Cap	288.8	304.0	+0.2	-
Pen.F.I.Dep.Acc	495.5	521.6	+0.4	-
Pen. Prop. Cap	589.9	619.9	----	-
Pen. Prop. Acc	1115.7	1174.5	+0.1	-
Pen. Man. Cap	826.4	869.9	-3.1	-
Pen. Man. Acc	1565.1	1647.5	-5.9	-
Pen.GiltEdg.Cap	313.8	330.4	+0.3	-
Pen. Gilt Edg. Acc	485.6	511.2	+0.3	-
Pen. Eq. Cap	1363.0	1426.3	-5.7	-
Pen. Eq. Acc	1942.2	2044.5	-8.2	-
Pen. Am. Eq Cap	151.5	159.5	-3.6	-
Pen. Am. Eq Acc	183.2	192.9	-4.4	-
Pen. Far East Cap	242.6	255.4	-1.3	-
Pen. Far East Acc	293.5	309.0	-1.6	-
Pen. Euro Cap	27.5	29.0	+0.5	-
Pen. Euro. Acc	29.9	31.6	+0.5	-
Pen. B.S. Acc	543.6	570.8	+0.6	-
Pen. B.S. Cap	325.6	341.9	+0.2	-
Pen. D.A.F. Acc	380.6	380.6	+0.4	-
Pen. D.A.F. Cap	255.9	255.9	+0.2	-
Pen. Mortgage Cap	146.1	153.9	+0.2	-
Pen. Mortgage Acc	176.9	186.2	+0.2	-
Barley Funds				
Pen Equ Cap	28.6	30.2	-	-

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Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	131.0	138.0	—	—
Building Soc. Fd.	171.0	180.0	—	—
Balanced	285.0	300.0	—	—
European	180.0	190.0	-1.0	—
GT Managed	176.0	186.0	-1.0	—
Cartmore Mngd.	118.0	125.0	—	—
German	128.0	135.0	+1.0	—
Gilt	180.0	190.0	—	—
Global	48.0	51.0	—	—
High Inc.	122.0	129.0	—	—
International Equity	198.0	209.0	—	—
Japan	240.0	253.0	+1.0	—
Managed	63.0	67.0	—	—
Property	283.0	298.0	—	—
R. W. Imperial Gold	149.0	157.0	—	—
UK Equity	363.0	383.0	-1.0	—
Pension Funds				
American	154.0	163.0	—	—
Building Soc. Fd.	172.0	182.0	—	—
Balanced	220.0	232.0	—	—
European	179.0	189.0	—	—
German	113.0	119.0	—	—
Gilt	154.0	163.0	—	—
International Equity	144.0	152.0	—	—
Japan	138.0	146.0	—	—
Managed	65.0	69.0	—	—
Property	218.0	230.0	—	—
UK Equity	328.0	346.0	—	—

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733
Managed Fund see Balanced Growth Managed Fund

Life Funds	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Grwth Mngd.	595.8	627.9	-4.1	—
Adventurous Mngd.	127.2	134.1	-1.5	—
Secure Mngd	109.5	115.4	-0.6	—
Cash Fd.	234.1	246.7	—	—
Property Fund	287.4	305.8	—	—
Equity Fund	671.0	707.1	-6.2	—
Fxd. Int. Fund	297.0	313.0	—	—
International	302.5	321.9	-3.6	—
High Income	470.2	500.3	-1.1	—
Far East	405.7	431.7	-4.0	—
North American	277.2	292.2	-6.9	—
Special Sits.	613.2	652.4	-7.3	—
Technology	248.1	264.0	-7.9	—
Extra Inc Fd.	282.2	300.3	-2.0	—
Convertible & Gilt Fd.	151.9	161.6	-1.9	—

Prudential Holborn Pensions Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Communications	105.0	110.6	-1.0	—
Smaller Companies	108.8	114.6	-0.2	—
International Small Cos.	130.9	137.8	-1.3	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary June 28	£157.88	163.80	—	—
Equity June 28	£173.03	179.37	—	—
International June 28	£26.71	27.56	—	—
Intl Bond June 28	£12.79	12.96	—	—
Fixed Int. June 28	£71.84	72.81	—	—
Index Linked June 28	£60.66	61.43	—	—
Property June 28	£111.60	118.24	—	—
Cash June 28	£20.9845	20.9845	—	—
Pru-Linked Retirement Plan				
Managed June 27	385.4	401.5	—	—
Cash June 27	194.1	205.4	—	—
Prudential Pensions Investment Account				
Pens Mngd July 3	154.1	165.7	-0.2	—
Pens UK Eq July 3	302.2	325.9	-0.9	—
Pens Intl July 3	186.1	200.2	+1.8	—
Pens Fixed July 3	164.3	173.5	-0.7	—
Pens Index Lk July 3	155.2	163.7	-0.9	—
Pens Cash July 3	128.8	135.7	+0.1	—

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Pcflio Fd	119.5	125.7	-0.2	—
Balanced Ptflio Fd	313.0	329.4	-0.5	—
Cautious Ptflio Fd	121.6	127.9	-0.1	—
Elite Fund	109.4	115.1	+0.1	—
European Fund	88.0	92.6	-0.2	—
Far East Fund	105.8	111.3	+0.1	—
Fixed Interest Fund	240.3	252.9	-0.4	—
International Fund	273.7	288.0	-0.7	—
Money Fund	177.2	186.5	+0.1	—
N. American Fd	119.5	125.7	-1.6	—
Property Fund	412.4	434.0	+1.1	—
UK Equity Fd	380.8	400.8	-1.1	—
A.I.M. Brwin Alpha Fd	93.8	98.7	-0.3	—
Swim Select Invs	111.2	117.1	—	—
Chart Safety First Bd	108.5	114.2	—	—
Exec Master Fd	100.3	105.6	-0.7	—
Hardwick Growth Fd	110.0	115.8	+0.1	—
Bentley Haig LR Port	102.0	107.4	-0.1	—
Milbourne Spec Port	115.9	122.0	—	—
Swim Global Fd	112.8	118.7	+0.2	—
Hardwick Tst Fd	72.6	76.4	—	—

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Widows' Group

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

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ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99⅞	98⅞	Exch. 10pc 1989	99⅞xd	.....	10.03	13.81
99⅞	98⅝	Exch 11pc 1989	99⅞	+⅛	11.07	13.26
98¾	95⅝	Treas 5pc 1986-89	98¾	.....	5.10	11.71
99½	98⅝	Exch 10¼ pcCv '89	99	.....	10.35	12.81
101⅞	99⅞	Treas 13pc 1990‡‡	100⅜xd	+⅛	12.96	12.39
130¾	124	Treas 2pc IL '90(84.6)	130⅛xd	+⅛	2.09	9.99
99⅞	98⅞	Exch 11pc 1990‡‡	98⅞	+⅛	11.11	12.70
101⅞	99⅛	Exch. 12¼pc 1990	99¼	+⅛	12.53	12.80
94⅛	91⅛	Treas. 3pc 1990	94⅛	+⅛	3.19	10.69
96⅞	95⅛	Treas 8¼pc 1987-90‡‡	96¼	+⅛	8.57	12.55
98⅞	95¼	Treas. 8pc Cv 1990 ‡‡	96⅞xd	+⅛	8.31	11.97
98⅞	96⅛	Treas. 10pcCv 1990	97⅛	+⅛	10.29	12.38
91⅞	87⅞	Exch 2½pc 1990	91⅛	.....	2.75	9.63
101⅞	98⅞	Treas 11¾pc 1991	99⅞xd	+⅛	11.82	12.16
92⅞	89⅞	Funding 5¾pc '87-91‡‡	91⅞	.....	6.28	11.21
89⅞	86⅛	Treas. 3pc 1991	88⅞	.....	3.38	9.76
100⅞	95⅞	Treas 10pc Cv '91 ‡‡	96⅞xd	+⅛	10.37	12.02
101⅞	97⅞	Exch. 11pc 1991	98⅛	+⅛	11.18	11.78
94⅛	91⅞	Treas. 8pc 1991	92⅛	+⅛	8.67	11.72
106⅞	102⅛	Treas 12¾pc 1992‡‡	102⅞xd	+⅛	12.38	11.36
99⅞	95⅛	Treas 10pc 1992	96⅞	+⅛	10.33	11.42
94⅛	91	Treas. 8pc 1992 ‡‡	92	+⅛	8.70	11.43
100⅛	96⅞	Treas 10½pc Cv 1992‡‡	97⅞	+⅛	10.72	11.34
85⅛	82¼	Treas. 3pc 1992	83⅛	.....	3.59	9.57
105⅞	101⅛	Exch. 12¼pc '92	102⅛	+⅛	11.96	11.30
109⅞	104⅞	Exch 13½pc 1992	105⅞	+⅛	12.75	11.22
94⅛	90⅞	Treas 8¼pc 1993	91⅛	+⅛	9.01	11.11
100⅛	95⅞	Treas 10pc 1993‡‡	97¼	+⅛	10.29	10.90
108¼	103⅞	Treas 12½pc 1993‡‡	104⅞xd	+⅛	11.92	10.96
87¼	84⅛	Funding 6pc 1993‡‡	85⅛	.....	7.02	10.32
113⅛	108¼	Treas 13¾pc 1993‡‡	109⅞	+⅛	12.54	10.90
94⅛	89⅛	Treas. 8½pc 1994	91⅛	+⅛	9.28	10.86
117⅞	112⅛	Treas 14½pc 1994‡‡	113⅞	+⅛	12.75	10.67
113⅞	107⅞	Exch 13½pc 1994	109¼	+⅛	12.35	10.94
100⅛	95⅞	Treas. 10pc Ln. 1994‡‡	97⅛	+⅛	10.29	10.74

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
59⅞	55⅛	Funding 3½pc '99-04	56⅞xd	+⅛	6.30	8.92
102⅞	94⅛	Conversion 9½pc 2004	97⅛	+⅛	9.76	9.83
103⅛	94½	Conversion 9½pc 2005	97½	+⅛	9.74	9.80
111⅛	102⅛	Exch. 10½pc 2005	105⅛	+⅛	9.94	9.79
125⅞	115⅛	Treas. 12½pc 2003-05	118⅞	+⅛	10.53	10.01
90⅛	82⅛	Treas. 8pc 2002-06‡‡	85⅞	+½	9.32	9.69
105⅛	97⅛	Conversion 9¾pc 2006	100⅛	+½	9.72	9.70
118⅞	109⅞	Treas. 11¾pc 2003-07	112⅞xd	+⅛	10.43	10.02
96⅛	87⅞	Treas 8½pc 2007 ‡‡	91xd	+⅛	9.33	9.54
134⅛	123⅛	Treas. 13½pc '04-08	127⅛	+⅛	10.61	9.93
101⅛	92⅛	Treas. 9pc 2008 ‡‡	95⅛	+⅛	9.41	9.49
92⅞	84⅛	Treas 8pc 2009	87⅛	+⅛	9.19	9.43
102⅞	93⅛	Conv 9pc Ln 2011 ‡‡	96½	+⅛	9.31	9.36
68⅛	62⅞	Treas. 5½pc 2008-12‡‡	64⅞	+½	8.46	9.15
89⅛	82⅛	Treas. 7¾pc 2012-15‡‡	84⅞xd	+⅛	9.12	9.30
132⅛	121¼	Exch. 12pc '13-'17	124⅞	+1	9.60	9.37

Undated

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
45⅛	41⅛	Consols 4pc	42⅛xd	+⅛	9.46	–
40⅛	36⅛	War Loan 3½pc‡‡	37⅛	+⅛	9.26	–
70⅛	60⅞	Conv. 3½pc '61 Aft	65⅛	+⅛	5.35	–
41⅛	31⅞	Treas. 3pc '66 Aft	34⅛	+⅛	8.73	–
30⅛	26	Consols 2½pc	26⅞xd	+⅛	9.32	–
29½	25⅛	Treas. 2½pc	26⅛	+⅛	9.41	–

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

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AMERICANS

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Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

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AMERICANS—Contd

1989 High	Low	Stock	Price $	+ or −	Div Gross	C'vr	Y'ld Gr's
597p	278p	Cullinet Sftwr 1c	549p	−7	—	—	—
27½	21½	Dana Corp. $1	25¾	−⅛	$1.60	—	3.9
12	854p	Data General	11	—	—	—	—
38	28⅞	Dun & Bradstreet $1	36¾	+⅛	$2.00	—	3.5
41¼	30½	Eaton Corpn. 50c	38½	+⅛	h$2.00	—	3.3
11¾	8⅞	Echlin Inc	10¼	+⅛	70c	—	4.1
20¾	16¾	FPL Group 1c	19¾	−⅛	$2.28	—	7.3
32⅞	27⅞	Ford Motor $2	30⅜	−⅛	$3.00	—	6.1
45⅝	30⅝	GATX 62½c	44⅝	−⅛	$2.00	—	2.8
35¼	24¼	Gen. Elect. 63c	32⅞	−¼	$1.64	—	3.2
568p	484p	General Host Corp $1	517p	+1	30c	—	3.7
39¼	18¾	Gillette $1	25⅝	−⅛	96c	—	2.4
987p	616p	Gt Am First Svgs Bk $1	796p	−31	60c	—	4.8
23⅝	16⅞	Greyhound $1½	21¼	−⅛	$1.32	—	3.9
14¼	847p	Hasbro Inc 50c	13¼	—	16c	—	0.8
49⅞	32¼	Honeywell $1½	46⅞	−¼	$2.10	—	2.8
21¼	15¼	Houston Inds.	20	−¼	$2.96	—	9.4
74⅝	63⅛	IBM Corpn $1¼	71¼	−⅛	$4.84	—	4.3
55p	45p	Image Storage/R.Sys.1c	55p	—	—	—	—
28¼	18¼	Ingersoll-Rand $2	26⅛	−⅛	$1.20	—	2.9
33	22½	Lockheed Crpn. $1	30½	+1⅛	$1.60	—	3.3
22¾	15⅛	Lone Star Inds $1	19⅞	−⅛	$1.90	—	6.0
25	17½	Louisiana Land 15c	23	−⅛	$1.00	—	2.8
17	11½	Lowe's 50c	16¼	+½	48c	—	1.9
25	15⅞	Manuf. Hanover $1	23¼	−⅛	$3.28	—	8.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

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Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‡ No par value

B.Fr. Belgian Francs. Fr. French Francs ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	γ	98	......
Craig & Rose £1	γ	720xd	......
Finlay Pkg. 5p	γ	88	......
Holt (Jos) 25p	γ	1330	......
Arnotts		410	......
Carrol (P.J.)	γ	145	......
Hall (R. & H.)		165	......
Helton Hldgs.	γ	71	+1
Irish Ropes		280	......
United Drug		135	......

IRISH

Cap. 8½% Ln. 1991	£97¾	-1
9pc Cap Ln. 1996	£99½	......
Fin. 13% 97/02	£128	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	45
BOC Grp.	42
BSR	6½
BTR	32
Barclays	42
Beecham	50
Blue Circle	48
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	16
Cadburys	31
Charter Cons.	48
Comm Union	32
Courtaulds	30
FKI Babcock	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	48
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	40
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property	
Brit Land	32
Land Securities	52
MEPC	50
Rendsworth	28

Oils	
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines	
Cons Gold	100
Lonrho	30
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls through support

THE DOLLAR fell through technical support levels against the D-Mark and the Japanese yen yesterday. The currency's failure to rally, after falling through support at DM1.9380, posed the question of whether the dollar has finally run out of steam. The DM1.90 level is regarded as an important point, which if broken may signal the end of the dollar's recent advance.

Yesterday's downward trend began in the Far East. After opening higher in Tokyo, at Y144.75, the dollar lost ground when the results of the Tokyo Metropolitan Assembly elections were known. The ruling Liberal Democratic Party, gained only 43 of the 128 seats, losing control of the Assembly to the socialists.

The yen's rally was the result of profit taking - as traders unwound long dollar positions taken out before the election - and intervention by the Bank of Japan, pushing the US currency through a technical support point at Y143.70 and triggering stop loss selling orders, taking the dollar down to Y142.50 at the close.

Dollar sales by the Bank of Japan were estimated at around $500m. Recent heavy intervention by the Japanese authorities produced a fall of $6.23bn to $89.46bn in Japan's official reserves at the end of June.

In London the dollar closed at Y141.25 compared with Y144.00 on Friday. It also fell to DM1.9285 from DM1.9545; to SFr1.6545 from SFr1.6785; and to FFr6.5500 from FFr6.6350. On Bank of England figures the dollar's index declined to 71.1 from 71.9.

Speculation that a slowing US economy will result in an easing of the Federal Reserve's Monetary stance undermined confidence in the dollar. The Federal Open Market Committee meets tomorrow to review monetary conditions at a time when the economy appears to by contracting and fears are increasing of a possible recession.

According to yesterday's survey by the US National Association of Purchasing Management the economy slowed in June, with the NAPM index falling to 48.8 per cent, from 49.7 per cent in May. The figure was not as low as some forecasts, but any result under 50 per cent suggests the economy is in decline.

Sterling was firm. The UK Treasury played down the importance an upward revision to 3.0 per cent from 2.5 per cent in final May UK retail sales growth, and the market showed little reaction.

Sentiment has improved in London after last week's publication of better than feared UK trade figures. Thursday's rise in West German interest rates has so far failed to push the pound lower and against a background of rising optimism sterling gained 2.85 cents to $1.5775. It also climbed to DM3.0425 from DM3.0275; to SFr2.6100 from SFr2.6000; and to FFr10.3325 from FFr10.2775, but eased to Y222.75 from Y223.00. The pound's exchange rate index rose 0.6 to 90.8.

Average rates against the dollar in June were: sterling $1.5538; D-Mark 1.9784; Yen 143.95; Swiss franc 1.7073; and French franc 6.7135.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3127	+2.01	+0.95	±1.5424
Danish Krone	7.85212	8.04443	+2.45	+1.39	±1.6419
German D-Mark	2.05853	2.06858	+0.49	-0.57	±1.1019
French Franc	6.90403	7.02389	+1.74	+0.68	±1.3719
Dutch Guilder	2.31943	2.33134	+0.51	-0.55	±1.5019
Irish Punt	0.768411	0.778575	+1.32	+0.26	±1.6689
Italian Lira	1483.58	1497.47	+0.94	+0.45	±4.0815
Spanish Peseta	133.804	130.813	-2.24	-	-

Changes are for Ecu, therefore positive change denotes a weak currency Adjustment calculated by Financial Times.

£ IN NEW YORK

July.3	Latest	Previous Close
£ Spot	1.5785-1.5795	1.5530-1.5540
1 month	0.56-0.55pm	0.62-0.60pm
3 months	1.70-1.67pm	1.82-1.79pm
12 months	6.70-6.60pm	7.05-6.95pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

POUND SPOT- FORWARD AGAINST THE POUND

CURRENCY RATES

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

*Selling rate

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Slightly softer tone

INTEREST RATES were slightly lower in London yesterday, helped by a stronger pound. A further rise in May retail sales and an increase in new credit business appeared to have little effect. Three-month interbank money fell to 14 1/8-14 per cent from 14 3/16-14 1/8 per cent. While the market took note of yesterday's data, the real test for sterling and interest rates is likely to come next week when data on producer prices, average earnings and inflation are released.

The Bank of England forecast a shortage of around £100m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of late assistance draining £1,358m. These were partly offset by Exchequer transactions which added £700m, and a fall in the note circulation of £510m. In addition, banks brought forward balances £60m above target.

There was no assistance offered by the Bank during the morning or afternoon. However, the forecast was revised to a flat position and the Bank gave late assistance of £100m.

UK clearing bank base lending rate 14 per cent from May 24

In Frankfurt, call money stayed close to the 7 per cent Lombard rate. The drain on interbank money is partly a reflection of commercial banks paying back Lombard borrowings taken out last week before the rate was increased from 6.5 per cent. Traders are uncertain about interest rate trends despite the Bundesbank's decision to allocate funds this week at a fixed 6.60 per cent. While this is well below the 7 per cent Lombard rate, there is a feeling that the authorities will have to allocate considerably in excess of the DM34.1bn maturing this week as two previous agreements expire in order to reduce upward pressure on short term rates.

To this end, the Bundesbank will probably emphasise their desire to keep call money below the Lombard rate by adding additional fresh liquidity. Figures released up until Friday showed that commercial banks hold reserves with the central bank slightly above the monthly requirement.

In Amsterdam, the Dutch central bank left its money market intervention rate unchanged at 7 per cent when offering a fresh 10-day special advances facility. The agreement coincides with a maturing facility which drains FL 2.5bn from the market today.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 3) 3 months US dollars		6 months US Dollars	
bid 9 1/8	offer 9 1/4	bid 8 15/16	offer 9 1/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime

Prime rate	11	One month	8.09	Three year	7.97
Broker loan rate	10 1/2-3/4	Two month	8.15	Four year	7.97
Fed. funds	9 1/2	Three month	8.21	Five year	7.99
Fed. funds at intervention	-	Six month	8.09	Seven year	8.09
		One year	8.02	10-year	8.07
		Two year	8.01	30-year	8.06

July.3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.95-7.05	6.90-7.05	6.95-7.10	6.95-7.10	7.00-7.15	7.00
Paris	9 3/8-9 1/2	9 1/8-9 1/4	9 1/8-9 1/4	9 3/8-9 1/2	9 7/16-9 9/16	8.75
Zurich	6 7/8-7 1/8	7 1/4-7 1/2	-	7 1/4-7 1/2	-	-
Amsterdam	6.75-6.87	7.08-7.18	-	7.18-7.28	-	-
Tokyo	4 13/16-5 1/8	5 5/8-5 11/16	-	5 13/16-5 15/16	-	-
Milan	12 1/4-12 1/2	12 1/4-12 3/4	-	12 1/4-13	-	-
Brussels	3.00	8 1/4-8 1/2	-	8 3/8-8 11/16	-	-
Dublin	9 1/4-9 3/4	9 3/4-10	9 15/16-10 3/16	10-10 1/4	10-10 1/4	-

LONDON MONEY RATES

July.3	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13 1/4	13 7/8	14	14 1/8	14 1/8	14 1/8
Interbank Bid	2	13 11/16	13 13/16	14	14	13 15/16
Sterling CDs	-	-	13 7/8	14	13 15/16	13 3/4
Local Authority Deps.	13 1/2	13 1/2	13 7/8	13 15/16	14	13 7/8
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	13 3/4	13 3/4	13 3/4	13 5/8	-	-
Company Deposits	-	-	13 7/8	14 1/16	14 1/16	14
Finance House Deposits	-	-	13 15/16	14 1/16	14 1/16	13 15/16
Treasury Bills (Buy)	-	-	13 13/16	13 13/16	-	-
Bank Bills (Buy)	-	-	13 3/4	13 3/4	13 5/8	-
Fine Trade Bills (Buy)	-	-	14 1/4	14 1/16	13 15/16	-
Dollar CDs	-	-	9.38	9.15	8.92	8.85
SDR Linked Dep Offer	-	-	8 1/2	8 1/2	8 1/2	8 1/2
SDR Linked Dep Bid	-	-	8 1/4	8 1/4	8 1/4	8 1/4
ECU Linked Dep Offer	-	-	9 1/8	9 1/4	9 5/16	9 1/4
ECU Linked Dep Bid	-	-	8 7/8	9 1/8	9 1/8	9 1/8

Treasury Bills (sell); one-month 13 11/16 per cent; three months 13 11/16 per cent; Bank Bills (sell): one-month 13 1/2 per cent; three months 13 1/2 per cent; Treasury Bills; Average tender rate of discount 13.6226 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June.30 , 1989. Agreed rates for period July 26,1989 to August 25 , 1989, Scheme I: 14.90 p.c., Schemes II & III: 15.51 p.c. Reference rate for period June.1 to June.30 , 1989, Scheme IV&V: 14.175 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from July 1 , 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9 1/2 per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9 1/2 per cent from December 1,1988 , Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES

Sterling prices edge firmer

STERLING BASED futures were firmer in London's Liffe market yesterday. Sentiment was buoyed by sterling's stronger trend which came despite an upward revision in UK May retail sales. However, the latter tended to underline continued buoyancy in consumer demand, and even though this may just reflect a shift from spending in June to May, prices finished below their best levels. The September contract opened at 85.94 and touched a high of 86.08 before finishing at 85.98, up from 85.86 on Friday.

Long gilt futures opened at 94-06 for September delivery and rose to a high of 94-19. It finished at 94-11 against 93-23 at the previous close. Once again, the inflationary implications of higher spending brought values back from the day's highs.

US Treasury bonds traded quietly, as investors squared positions ahead of today's closure of US financial markets for Independence Day. Treasury bond futures were virtually unchanged although underlying sentiment received a mild boost from the US NAPM Index, which indicated a slowdown in US economic activity.

West German Treasury bonds improved to 95.15 for September delivery from 95.00 at the opening and 94.96 on Friday. While cash rates remain relatively firm, traders feel that the West German authorities will try and prevent any further upward pressure on rates for the time being.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
91	339	411	17	47
92	248	329	26	101
93	201	253	43	125
94	125	217	103	153
95	60	150	138	222
96	39	123	217	299
97	24	102	302	338

Estimated volume total, Calls 1061 Puts 658
Previous day's open int. Calls 11928 Puts 14740

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
92	601	623	11	43
94	411	450	21	106
96	236	325	46	145
98	119	220	129	240
100	38	132	248	352
102	16	60	426	516
104	7	36	617	656

Estimated volume total, Calls 0 Puts 300
Previous day's open int. Calls 2183 Puts 2570

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9350	174	193	9	38
9400	130	157	15	49
9450	94	125	29	67
9500	62	98	47	90
9550	43	75	78	117
9600	26	55	111	147
9650	15	40	150	182

Estimated volume total, Calls 549 Puts 715
Previous day's open int. Calls 12481 Puts 12057

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Jul	Calls-settlements Aug	Puts-settlements Jul	Puts-settlements Aug
140	1750	1750	0	2
145	1250	1250	0	14
150	750	750	8	67
155	308	381	83	212
160	71	157	346	488
165	8	50	783	881
170	0	12	1275	1343

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 190 Puts 9

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9075	85	109	8	14
9100	62	88	10	18
9125	43	70	16	25
9150	29	54	27	34
9175	18	40	41	45
9200	10	28	58	58
9225	7	20	80	75

Estimated volume total, Calls 415 Puts 10
Previous day's open int. Calls 5076 Puts 3441

LIFFE SHORT STERLING

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8550	73	138	25	25
8575	56	120	33	32
8600	42	102	44	39
8625	31	86	58	48
8650	22	72	74	59
8675	16	58	93	70
8700	11	47	113	84

Estimated volume total, Calls 896 Puts 927
Previous day's open int. Calls 15845 Puts 15011

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	94-11	94-19	94-06	93-23
Dec	94-14	94-20	94-20	93-26

Estimated Volume 16248 (11137)
Previous day's open int. 25258 (26337)

7-10 YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
1.475	9.90	9.90	9.90	9.93	0.07	0.25	0.74	2.08
1.500	7.40	7.58	7.76	8.00	0.11	0.58	7.50	2.78
1.525	1.62	5.51	5.84	6.24	0.21	1.12	2.01	3.78
1.550	3.09	3.79	4.26	4.81	0.69	1.95	2.90	4.99
1.575	1.62	2.43	2.98	3.66	1.80	3.02	2.90	6.41
1.600	0.75	1.56	2.02	2.71	13.17	4.57	5.72	7.99
1.625	0.30	0.90	1.40	2.07	5.22	6.40	7.49	9.72

Previous day's open int: Calls 489,482 Puts 420,192 (All currencies)

CHICAGO

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.6051	0.6069	0.6044	0.6007
Dec	0.6072	0.6092	0.6065	0.6027
Mar	0.6100	0.6115	-	0.6052

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sep	320.55	322.15	320.35	321.20
Dec	324.35	325.85	324.25	325.00
Mar	328.20	329.45	328.20	328.85

FT-SE 100 INDEX

	Close	High	Low	Prev.
Sep	2182.0	2188.0	2174.0	2163.0
Dec				

Estimated Volume 2750 (4410)
Previous day's open int. 15900 (14288)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5775	1.5714	1.5600	1.5409	1.5093

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.5582	1.5620	1.5558	1.5422
Dec	1.5380	1.5420	1.5380	1.5234
Mar	1.5210	1.5210	-	1.5062

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm. Bk. N. East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14 1/2
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14 1/2	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williams Secs.	14
Bank Hapoalim	14	First National Bank Plc.	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14 1/2	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Beneficial Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit Bk of Mid East	14	Hongkong & Shangh	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14 1/2	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
Central Capital	14	McDonnell Douglas Bnk	14		
● Charterhouse Bank	14	Midland Bank	14		
Citibank NA	14	Mount Banking	14		
City Merchants Bank	14	Nat Bk. of Kuwait	14		

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EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 36,615
A=Ask B=Bid C=Call P=Put

COMPANY NOTICES

LEGAL NOTICES

No. 002778 of 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF
BIMEC INDUSTRIES PLC
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the order of the HIGH COURT OF JUSTICE CHANCERY DIVISION dated 19th June 1989 confirming the cancellation of the amount of £2,037 049.00 standing to the credit of the Share Premium Account of the above named Company and the Special Resolution approved by the Court resolving that the Share Premium Account be cancelled as passed at an Extraordinary General Meeting of the Company held on 30th March 1989 were registered by the Registrar of Companies on 22nd June 1989.

ART GALLERIES

JOTTER PAD

CROSSWORD

No.6,976 Set by DINMUTZ

ACROSS

1 River-tale handled by teller? (7,7)
10 Plainly permitted, would you say? (5)
11 Once a month in Paris, where 13 rolled (9)
12 Incense is all right in trial (7)
13 Carton-carrier? (7)
14 Condition of Newmarket ground being sold (5)
16 Universal remedy-seeker St Michael converted (9)
19 Water-spout first in very high winds (3-6)
20 Yarns' end described (5)
22 Holidaymakers' number in frolics (7)
25 Lines on right-hand page in church-house (7)
27 Drawn, PC led line-out (9)
28 Plate of tripe ordered (5)
29 Employing sixth sense for all that hiking (7-7)

DOWN

2 Golf is out, possibly, for one who lifts his head a lot (9)
3 Receiver of notice in Spanish river (5)
4 Modern tea-fight in the cathedral (5,4)
5 Alarm-signal from whaler transmitted (5)
6 Tom gets round fellow to provide cheese (9)
7 Franco-German articles in inferior position (5)
8 Bitter permitted with this cake? (7)
9 Bowler, taken off, can rest here (3-3)
15 The congregation boil (9)
17 Crew beginning camera-work with 3's farming community? (9)
18 Like sickness benefit falsely claimed (3-6)
19 Means to raise grass using a big sum of money (7)
21 Your head stuck in Times puzzle? (5)
23 Chap to leave tropical fruit (5)
24 Break in Yugoslavia (5)
26 Was he a love-baby? (5)

Solution to Puzzle No.6,975

CATHERINE WHEEL
TENET SPEARMINT
STEAMORGAN STAR
BLISTER DEFICIT
CHEROOT RELENTS
WASP PENTACHORD
TARPAULIN NEARS
ROBIN PRESENTLY

صكرا من الاصل

هكذا من الاصل

WORLD STOCK MARKETS

AUSTRIA

July 3	Sch	+ or −
Austrian Airlines	2,150	—
Creditanstalt	2,690	—
Goesser	3,760	+30
Interunfall	18,400	−100
Jungbunzlauer	15,370	−30
Laenderbank	450	+5
Perlmooser	1,400	+10
Reininghaus	1,450	+65
Semperit	239	+3
Steyr-Daimler	111	+1
Veitscher Mag	858	+1
Verbund	180	−9

BELGIUM/LUXEMBOURG

July 3	Frs.	+ or −
Arbed	6,110	—
B.B.L.	3,440	−10
Bank Intl. a Lux	15,400	+100
Banque Gen. Du Lux	14,500	—
Banque Nat Belg	37,025	−25
Bekaert B	14,300	−100
Ciment CBR	6,790	+10
Cobepa	5,800	−20
Do. AFV 1	5,800	—
Do. AFV 2	5,820	+80
Cockerill	370	+3
Colruyt	16,125	—
Delhaize	5,840	—
EBES	4,505	−30
Do. AFV 1	4,510	−10
Do. AFV 2	4,460	−40
Fabrique Nat	780	−20
GIB Group	1,348	−12
Do. AFV	1,330	—
GBL (Brux) L	4,560	—
Do. AFV 1	4,510	—
Do. AFV 2	4,530	—
Gechem	1,022	−6
Do. AFV	998	−24
Generale Bank	6,100	—
Do. AFV 1	6,140	−10
Do. AFV 2	6,400	+190
Gevaert	8,290	−70
Hoboken	17,150	−100
Do. AFV	17,150	+50
Intercom	3,485	−45

FRANCE (continued)

July 3	Frs.	+ or −
Alsthom	593	+4
Arjomari-Prioux	2,510	−40
Auxiliaire d'Ent	1,010	−7
BIC	740	—
BSN	692	+33
Bancaire Cie	528	+13
BHP (Cert.Inv.)	379	−6
Beghin-Say	662	+2
Do. Certs	419	−17
Bongrain	2,991	−19
Bouygues	690	+11
CMB Packaging	672	+9
Carrefour	3,150	—
Casino	209	−1
Cetelem	625	+24
Chargeurs	1,200	+23
Ciments Fr.	1,450	—
Club Mediterranee	627	−11
Cofimeg	365	+5
Cegif	367	+7
CGE	428	+5
Coparex	302	—
Cred Foncier Fr	835	−10
Credit National	1,050	−18
Damart	2,965	+4
Docks de France	3,490	−5
Dollfus-Mieg	528	−1
Dumez S.A.	991	+9
Eaux (Cie Gen)	1,980	−5
Ecco	2,170	−10
Electrofin'ce	1,010	+8
Elf-Aquitaine	546	+4
Do. Certs	445	—
Epeda-Bertrand	1,500	−11
Essilor	3,202	−49
Eternit (Fin.)	2,600	−30
Eurafrance	1,610	—
Eurocom	1,535	+32
Euromarche	2,750	—
Exor	1,300	−1
Finextel	202	−0
Fonciere Lyon	490	+4
Fromageries	1,813	−2
GTM-Entrepose	1,474	−1
Gaumont (Soc N)	549	−3
Gen Geophysique	785	+5
Gen. Occidentale	875	+4

GERMANY (continued)

ITALY (continued)

NETHERLANDS

SWEDEN

SWITZERLAND

NORWAY

SPAIN

SOUTH AFRICA

DENMARK

FINLAND

FRANCE

JAPAN

AUSTRALIA

HONG KONG

SINGAPORE

CANADA

TORONTO
Closing prices June 30

1000 C Gour Tm	$22¾	22⅝	22⅝ +	⅛
82570 Charan	180	175	180 −	9
1000 ChiaBen	$15¾	15¼	15¾ −	⅝
10436 CHUM B f	$23¾	23¼	23¾ +	¼
9950 Cineplex	$14⅞	14⅝	14⅞ +	⅜
5050 Co Steel t	$18⅝	18½	18½ −	⅞
179401 Cominco	$25½	25⅞	25⅛ −	¼
17330 Computing	445	415	445 +	30
102805 Consumgt	$26⅝	25	26⅝ +	1⅝

34831 Inter City	$25¼	25	25¼ +	⅛
200 Interhome	$48½	48⅛	48⅛ −	⅛
13400 Inv Grp	$18⅛	18	18⅛ +	⅜
4300 Ipsco	$18½	18	18½ +	⅛
9700 Ivaco A f	$11½	11⅞	11½	
17100 Jannock	$18⅞	18	18⅞ +	⅛
3900 Kerr Add	$18⅝	18½	18½ −	⅛
37250 Labatt	$24¾	24½	24⅝	

140770 Royal Bnk	$43⅝	43½	43⅝	
31500 SHL Syst	$12⅛	11¾	11⅞ −	⅛
5850 StL CemA f	$20⅝	20⅛	20⅝ +	¼
350 Samuel MT	$16½	15½	15½	
166178 Sceptre	$12⅛	12¼	12⅝	
308021 Sceptre	475	465	480 −	10
200 Schneider A	$25	25	25 +	¼
5366 Scot Paper	$19⅝	18	18 −	½

2900 Memotec	$9⅞	9¾	9⅞ +	⅛
270233 NatBk Cda	$14⅛	13⅞	14 −	⅛
4573 Noverco	$12½	12¼	12½ +	⅛
30780 Power Corp	$15	14⅞	14⅞ −	⅛
26927 Provigo	$10⅞	10⅝	10⅞ +	⅛
28630 SteinbrgA	$47¼	46	47¼ +	1⅞
20242 Videotron	$19½	19¼	19⅜ −	⅛

Total Sales 5,164,894 shares.

MONTREAL
Closing prices June 30

INDICES

NEW YORK — DOW JONES

	June 30	June 29	June 28	June 27	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2440.06	2458.27	2504.74	2526.37	2531.87 (23/6)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	92.24	92.06	92.27	92.19	92.52 (14/6)	87.35 (23/3)	–	–
Transport	1148.77	1152.98	1178.88	1192.59	1192.59 (27/6)	959.95 (3/1)	1192.59 (27/6/89)	12.32 (8/7/32)
Utilities	209.70	209.34	211.30	211.77	211.77 (27/6)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2466.05 (2500.00) Low 2412.94 (2453.25)

STANDARD AND POOR'S	June 30	June 29	June 28	June 27	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	317.98	319.68	325.81	328.44	328.44 (27/6)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	363.48	365.70	372.92	375.71	375.71 (27/6)	318.66 (3/11)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	30.17	30.31	30.84	31.15	31.15 (27/6)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	177.90	178.75	181.87	183.18	183.18 (27/6)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	358.97	360.61	366.01	366.43	366.43 (27/6)	305.24 (3/1)	366.43 (27/6/89)	29.31 (9/12/72)
NASDAQ OTC Comp	435.29	437.91	444.90	448.55	453.65 (9/6)	378.56 (3/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Jun 23	Jun 16	Jun 9	year ago (approx.)
Dow Industrial Div. Yield	3.57	3.59	3.51	3.49
	June 28	June 21	June 14	year ago (approx.)
S & P Industrial div. yield	3.00	3.05	3.00	3.03
S & P Indl. P/E ratio	13.72	13.48	13.62	14.42

TRADING ACTIVITY †Volume

Millions	June 30	June 29	June 28
New York	170.490	169.942	158.470
Amex	10.731	13.599	10.558
OTC	137.183	142.833	127.488

NEW YORK	June 30	June 29	June 28
Issues Traded	1,968	1,968	1,951
Rises	637	263	482
Falls	894	1,317	984
Unchanged	437	388	485
New Highs	34	39	86
New Lows	35	33	17

CANADA

TORONTO	June 30	June 29	June 28	June 27	1989 High	1989 Low
Metals & Minerals	3278.1	3263.2	3292.7	3308.8	3564.9 (6/2)	3207.5 (3/1)
Composite	3761.0	3743.5	3766.6	3778.4	3806.1 (8/6)	3350.5 (6/1)
MONTREAL Portfolio	1899.02	1892.04	1906.80	1911.72	1948.46 (8/6)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Bond Int	3,983,200	7⅞	—	IBM	1,824,700	111⅞	+ ⅜
Syntex	3,800,800	49½	+ 1⅞	USX Corp	1,344,700	34½	− ⅛
Boston Ed	3,192,600	17⅝	—	Avon Prod	1,335,000	35⅝	+ 1⅞
AT&T	2,807,300	35	− ½	Exxon	1,273,700	44	− ½
Gen Elec	1,837,200	51⅝	− ⅜	Warner Comms	1,267,400	60⅝	+ ⅝

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 3	June 30	June 29	June 28	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1501.2	1521.1	1524.7	1519.0	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	681.3	690.6	693.7	691.3	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	352.23	348.97	347.82	346.83	366.67 (21/6)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6158.43	6098.25	6110.99	6120.94	6158.43 (3/6)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	341.51	340.46	336.96	341.51 (30/6)	275.49 (27/2)
FINLAND						
Unitas General (1975)	773.6	779.3	781.9	780.8	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	477.7	476.10	481.47	488.40	491.00 (26/6)	417.90 (4/1)
Ind. Tendance (30/12/88)	111.7	112.0	112.1	114.3	114.6 (26/6)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	616.51	613.00	618.44	617.83	619.11 (23/6)	535.78 (27/2)
Commerzbank (1/12/53)	1834.8	1825.0	1842.3	1849.4	1849.4 (28/6)	1595.7 (27/2)
DAX (30/12/87)	1492.33	1473.72	1491.93	1491.39	1492.33 (3/7)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2270.81	2273.91	2275.32	2245.05	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	651.97	649.44	650.41	647.90	651.97 (3/7)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33236.42	32948.69	32956.31	33245.6	34266.75 (31/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2457.29	2449.38	2453.99	2466.23	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	248.8	248.5	250.3	253.5	253.5 (28/6)	208.3 (3/1)
CBS All Shr (End 1983)	193.7	193.4	194.8	197.4	197.4 (28/6)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	628.35	630.58	633.32	639.39	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1298.06	1307.67	1315.29	1308.44	1315.29 (29/6)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1529.0	1527.0	1537.0	1498.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2567.0	2628.0	2635.0	2630.0	2635.0 (29/6)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	308.05	309.58	312.05	302.08	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4179.9	4194.1	4210.6	4219.4	4219.4 (28/6)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	752.0	746.0	748.7	748.7	752.0 (3/7)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	494.3	498.4	502.2	519.0 (17/2)	487.6 (13/6)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday July 3 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
MHI	8.2m	1,190	+20	Kawasaki Steel	4.6m	920	+20
Nippon Steel	8.0m	818	+18	Toshiba	4.5m	1,370	+20
IHI	6.8m	1,120	+30	Mazda Com Ind	4.1m	3,360	+190
Taiden	6.8m	1,620	+40	Sumitomo Metal	3.9m	810	+29
Amada	5.6m	2,170	+90	MMC	3.8m	1,270	+80

3pm prices July 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
32⅛	21¾	AAR	.44	1.5	18	112	29⅛	29	29	– ⅛
10⅛	8⅞	ACM n	1.01	11.		19	9⅝	9⅛	9⅛	– ⅛
11⅞	10¼	ACMIn	1.26a	11.		288	11¼	11	11⅛	– ⅛
10⅛	8½	ACM M	n1.01	11.		43	9⅝	9⅛	9⅝	+ ⅛
11⅜	10	ACM Sc	1.26	11.		271	11⅜	11⅜	11⅜	+ ⅛
9⅞	8⅞	ACMSp	1.01	11.		65	9⅛	9	9	– ⅛
17¼	10⅞	AL Lab	.12	.7	18	32	17	16⅞	17	+ ⅛
4⅞	3¼	AMCA	.13e	3.0	27	2	4	4	4	
6⅞	4½	AM Intl				46	5⅛	5⅛	5⅛	– ⅛
23½	20	AM In pf	2	9.6		5	20⅞	20⅞	20⅞	– ¼
69½	40⅞	AMR			7	2145	63	61⅛	62⅞	+1⅜
5⅞	3⅝	ARX				26	4	3⅞	3⅞	– ⅛
42⅞	35¼	ASA	3a	7.4		60	40⅞	40½	40⅝	+ ⅜
22⅝	13¼	AVX	.24	1.2	9	241	19⅜	19	19⅜	+ ⅜
61½	43½	AbtLab	1.40	2.4	17	999	59½	57⅞	58⅝	+ ⅜
18⅞	15½	Abitibi g	1			8	15½	15⅜	15⅜	– ⅛
13	7½	AcmeC	.40	3.4		115	11⅞	11⅝	11⅝	
8	6⅞	AcmeE	.32	4.1	18	24	7⅞	7⅞	7⅞	
34¾	20¼	Acuson			25	599	31⅝	31⅛	31⅛	– ⅛
16⅞	14¼	AdaEx	1.82e	12.		129	15⅜	15⅛	15¼	– ⅛
16⅞	7⅛	AMD				579	9⅞	9⅝	9⅞	
43¾	28⅝	AMD pf	3	9.2		1	32¼	32¼	32¼	– ⅜
11⅞	6½	Adobe				209	11⅞	11	11	– ⅛
18½	16⅛	Adob pf	1.84	9.9		5	18½	18½	18½	
21⅞	19⅞	Adob pf	2.40	11.		94	21⅞	21	21⅛	– ⅛
9⅞	6⅞	Advest	.12	1.7	17	23	7	6⅞	7	

Continued on Page 41

صكذا من الاصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28⅞	12	Salant			14	56	25¼	24¾	25¼	+ ¼
42½	30	SallieM s			18	367	40¾	40	40⅜	− ⅜
29⅜	22⅞	Salomn	.64	2.6	66	1224	24⅞	24⅝	24½	+ ⅛
41½	32¾	SDieGs	2.70	6.7	14	165	40⅞	40⅛	40¼	− ⅛
15⅝	11⅞	SJuanR	2.25c		14	10	15⅝	15½	15⅝	+ ⅛
34¼	28½	SAntR	2.08	6.9	21	19	30	29¾	30	− ⅛
17⅞	11	SFeEP	2.88	25.		147	11¾	11⅞	11⅛	
23⅞	20	SFePP	n2.22	9.6		147	23	22⅝	22⅞	+ ⅛
24⅞	15¾	SFePCp				1582	22	21⅝	21⅞	− ⅛
57⅞	35½	SaraLee	1.44	2.7	16	1199	54⅞	53⅝	54⅛	+ ¼
15-32	3-16	Savin				416	9-32	¼	9-32	+ 1-32
8½	4⅞	Savn pfB.50t		14.		3	5⅞	5⅞	5⅞	+ ¼
35⅞	29⅞	SCANA	2.46	7.3	12	227	33½	33¼	33½	+ ⅛
9⅞	6⅞	Schlr	.26e	2.8		30	9⅝	9¼	9¼	− ⅛
69½	49½	SchrPlg	1.80	2.7	18	456	66⅝	66	66	− ⅝
41¼	30⅞	Schlmb	1.20	3.0	28	890	39⅞	39½	39⅞	
12⅝	6¼	Sclmb	.03e	.3	32	247	11⅞	11	11¼	+ ⅛
17	9½	Schwtz n				11	10	10	10	− ⅛
19⅞	10⅞	SciAtl	.12	.6	13	762	19	18⅛	19	+ 1⅛
14½	11½	Scotm	p.63e	.2		16	13⅛	13	13	
49⅞	34⅞	ScottP	.80	1.8	8	655	45	44¼	44⅞	− ⅛
16½	10½	Scottys	.52	3.2	58	236	16½	16⅜	16⅜	− ⅛
18½	8⅞	ScudNA	.87e	.7		80	9⅞	9¾	9⅞	+ ½
74¼	22⅞	SeaCnt	.45e	.7	22	825	67⅞	66⅝	67⅛	− ⅝
[illegible]										

OVER-THE-COUNTER

Nasdaq national market, 3pm prices July 3

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMEX COMPOSITE PRICES

3pm prices July 3

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

AMERICA

Dow repairs some of last week's damage

Wall Street

REPAIRING some of the damage from last week's steep falls, Wall Street stock prices edged ahead in light pre-holiday trading yesterday, *writes Roderick Oram in New York.*

The slight improvement came in spite of continuing concern that the economy was slowing down so rapidly that corporate profits would start to be eroded.

The worries were underscored by the latest report of purchasing managers' sentiment. For the second month running they turned in a reading below 50 per cent, indicating an economic slowdown. The reading of 48.8 per cent in June against July's 49.7 per cent was the lowest level since July 1986. New orders, one of the major components of the report, declined for the first time since May 1986.

In spite of this news, a few bargain hunters were picking up stocks after their sharp falls last week when the Dow Jones Industrial Average shed 92 points, its worst weekly performance in 15 months.

By 2pm yesterday the Dow was up 10.05 points at 2,450.11, although it had been up nearly 18 points at its best point during the morning. Most of the strength was in the blue chips, with secondary and tertiary stocks faring less well. The American Stock Exchange composite index was slightly down on the day and the over-the-counter composite was barely ahead.

Trading was very light, with most investors and traders taking the day off ahead of today's Independence Day closure. Even some Japanese staff had taken the extra day's vacation, one Japanese securities firm reported. By early afternoon, fewer than 50m shares had traded on the New York Stock Exchange, a volume more appropriate for a busy opening hour. The same number of stocks rose as fell.

The market's real test will come in the second half of the week, when business returns to normal and the Federal Reserve's Open Market Committee meets to decide whether to ease monetary policy further.

The bond market, despite slipping a bit at the long end yesterday, is betting on lower interest rates. The stock market is drawing little encouragement from this at the moment, however, and is concentrating on a gloomier scenario of economic weakness. Opinion is divided on whether stocks can reclaim quickly the ground they gave up last week.

Among notable issues yesterday, General Nutrition gained $⅜ to $10⅞. The health food and cosmetics group accepted an $11⅛-a-share leveraged buy-out proposal from Thomas H. Lee, a Boston investment firm.

First Executive dropped $1 to $15¼. The Los Angeles-based company, the 15th largest insurance group in the US, has adopted an anti-takeover package for shareholders. The company, a pioneer in heavy investment in junk bonds, has been the subject of frequent takeover rumours.

LIN Broadcasting gave up a further $2⅞ to $113. The television station and cellular telephone company suffered a court setback on Friday which makes it more vulnerable to a takeover offer from McCaw Cellular Communications. The appeal court declined to overturn a lower court ruling denying it the chance to buy out its cellular partner in New York City and Philadelphia at 1986 prices. The ruling diminishes the value of the company and might cause McCaw to lower its $120-a-share offer. McCaw was unchanged at $38.

Minnetonka dropped $2¼ to $22⅝. The maker of fragrance and personal care products accepted a $22.86-a-share takeover offer from Unilever. Although the bid was the highest received, it was well below market forecasts.

Digital Equipment added $2¾ to $94¼. The highly volatile stock of the computer maker has been receiving favourable press mention after languishing for a long period.

Other computer stocks were little changed. IBM edged up $⅜ to $112⅞, Apple Computer fell $⅛ to $41⅛, Hewlett-Packard added $⅜ to $52 and Unisys slipped $⅛ to $24½.

Canadian markets were closed for Canada Day.

EUROPE

Active Frankfurt strides ahead as bourses snooze

THE ONLY bourse that seemed wide awake in Europe yesterday was Frankfurt, where shares bounced back from losses at the end of last week, *writes Our Markets Staff.*

FRANKFURT rebounded from Friday's interest rate-influenced fall, taking many observers unawares by the strength of its rise. "It's been quite a surprising day," said one salesman, explaining that a fairly quiet opening had at first suggested that shares would simply drift throughout the day.

The DAX index gained 18.61, or 1.2 per cent, to 1,492.33 – finishing near its session high and recouping all Friday's losses. The FAZ index rose 3.51 to 616.51. The gains continued after hours, buoyed by a firmer opening on Wall Street.

Domestic and foreign demand lay behind the advance, in a market not over-blessed with supply, said the salesman. Deutsche Bank and utility Veba were sought, in turn supporting the rest of the market. Deutsche Bank picked up DM15 to DM615 as shares worth DM705m changed hands and Veba, also active, gained DM10 to DM334.50.

There was little corporate news to affect the market. RWE, which was expected to give details of a restructuring plan, rose DM6 to DM332.

Turnover was lower than last week, but still active, at DM5.04bn.

MILAN had a reasonable day, with the spotlight again falling on Fiat and the banks. The Comit index rose 2.53 to 651.97 in similar turnover to Friday's of about L250bn.

Fiat rose L318 to L10,988, reaching L10,980 in the after-market, in the wake of Friday's shareholder approval of its share buy-back plan. "As soon as the announcement was out, everyone was rushing for the stock," said an analyst.

PARIS was hit by computer problems which halted trading in a large number of stocks on the continuous market for a substantial part of the day. This cut volumes to between FFr1bn and FFr1.5bn, with television coverage of Wimbledon providing more excitement than the equity market, according to one dealer.

The computer breakdown appeared to be related to the number of new stocks being introduced onto the continuous market yesterday. "The computer threw a whirly after trading for about five minutes with McDonalds, baked beans and tomatoes going onto the continuous market, as well as other stocks like Maxwell Communications," said the dealer.

Continuing the food theme, one of the few interesting features yesterday was BSN, which climbed strongly in late trading after announcing it had sold Walkers and Smiths, the two British potato snack makers it bought from RJR Nabisco last month. The $1.35bn sale to Pepsico helped the stock jump FFr33, or 5 per cent, to FFr692.

Shares ended generally higher, with the OMF 50 edging up 0.63 to 493.97 and the CAC 40 index rising 9.59 to 1,737.45. The opening CAC General index added 1.6 to 477.70.

ZURICH moved higher in a quiet day. The Crédit Suisse index gained 6.4 to 613.1.

Blue chips were mostly firmer, with bearers of Brown Boveri, the engineering company, up SFr205 at SFr4,525 and Zurich insurance company bearers up SFr100 at SFr4,825.

AMSTERDAM had a thin session, dampened by Wall Street's losses last week and the US Independence Day holiday today. The CBS tendency index finished unchanged at 187.2 and news was so thin on the ground that some brokers left for home early.

Hoogovens, the steel company, had a good day, rising Fl 5.30 to Fl 118, while Unilever gained 30 cents to Fl 141.30 after news over the weekend that it was buying Calvin Klein Cosmetics of the US. Earlier this year, Unilever made an abortive attempt to take over Fabergé and Elizabeth Arden.

Retailer Ahold shed 40 cents to Fl 117.70 after denying speculation that a Danish and a Swedish company would take part in an alliance between Ahold, France's Casino and Argyll of the UK.

MADRID was depressed by interest rate worries and the setback on Wall Street last week and trading was quiet at about $90m. The general index fell 1.53 to 308.05.

BRUSSELS had a dull session with operators reluctant to take out new positions on the last day of the forward market account. The cash market index fell 25.06 to 6,073.18.

Volume was low in all stocks except sugar refiner Raffinerie Tirlemontoise, which added BFr30 to BFr2,130 as speculation continued about stake-building.

STOCKHOLM recovered from early losses to close only slightly lower on the day. The Affärsvärlden General index fell 0.7 to 1,216.2 in slack trading.

Skandia went against the trend, rising SKr2 to SKr238. Electrolux free B shares fell SKr2 to SKr329 and Volvo free B shares also fell SKr2 to SKr153.

OSLO saw dull trading and shares closed mostly lower with the all-share index falling 1.94 to 488.73.

BROKERS' WORLD

Where in the world would you find a stockbroker who spends the summer on a remote island and commutes by private boat, ferry and car? In which capital city can a gilt dealer be found, outside office hours, chained up and acting in a play about devils? How does a former diplomat come to be warning yuppie analysts in Madrid to stay away from the discotheques in the early hours of the morning? And why has a broker in Toronto been fielding anxious calls from Hong Kong in the wake of the bloodbath in Peking? All will be revealed in a summer series about stockbroking characters around the world, starting on Thursday.

ASIA PACIFIC

Nikkei beats election setback to close higher

EQUITY trading slowed to its lowest level this year as uncertainty surrounding the outcome of Sunday's Tokyo Metropolitan Assembly election kept investors wary, *writes Michiyo Nakamoto in Tokyo.*

Share prices lost steadily in early trading when investors scrambled to unwind positions or take profits as the election outcome for the ruling Liberal Democratic Party (LDP) began to look increasingly bleak.

However, a feeling of relief, once news of the serious setback for the LDP was out, triggered a round of broad-based buying that enabled share prices to close higher for the first time in five trading days. The Nikkei average opened more than 200 points below Friday's close and fell 252.15 points to a low of 32,696.54. Later, bargain-hunters came in to support the Nikkei which closed at the day's high of 33,236.42, up 287.73.

It was the first time in three trading days that the Nikkei had closed above 33,000. Advances far outpaced losses by 620 to 289 while 162 issues were unchanged.

The Topix index of all listed shares added 17.77 to 2,467.15. In London, the ISE/Nikkei 50 closed 3.32 below the Tokyo close at 1,951.31.

Volume in Tokyo sank to a year's low of 305.91m shares, down from the already slim 423.27m traded on Friday, reflecting widespread hesitation among investors to take positions while political concerns hung over the market.

Mr Shoin Yokoyama of Credit Suisse Investment Advisory Co said that as well as relief, yesterday's rebound could also be explained by the fact that investors had already sold more or less what they had to sell.

Interest returned to large capital steel and shipbuilding stocks as the yen rebounded against the dollar during the day. Mitsubishi Heavy Industries topped the most actives list with 8.2m shares and gained Y20 to Y1,190. Nippon Steel followed with 8.0m shares, adding Y18 to Y818.

Matsushita Communication Industrial, an industrial electronics affiliate of Matsushita Electric, surged Y190 to a year's high of Y3,350 in active trading. It has a 30 per cent share of the domestic mobile phone market and is expected to benefit from an expanding market.

Large volume issues led the Osaka market where the OSE average finished 98.55 points higher at 32,277.45. Volume slipped to a year's low of 23.04m shares from Friday's 40.69m. Sumitomo Precision, which is expected to post a second consecutive year of record pre-tax profits this business year, surged Y160 to Y2,170.

Roundup

THE tone was depressed in Asia Pacific markets, as last week's setback on Wall Street hit sentiment and the slight recovery in Tokyo yesterday failed to lift spirits.

AUSTRALIA fell back following Wall Street's sharp losses on Thursday and Friday, with concern about the high level of local interest rates keeping investors away.

The All Ordinaries index closed 19.9 points lower at 1,501.2, holding just above the 1,500 barrier, in thin turnover of 87m shares worth A$162m.

National Australia Bank dropped 18 cents to A$5.84 after announcing a worldwide share placing to fund an expansion programme.

Elders IXL rose 1 cent to A$2.78 against the trend amid reports that Grand Met of the UK was planning to sell its brewing interests. Elders, which was blocked from taking over Scottish & Newcastle Breweries earlier this year, told shareholders last week not to sell.

Brierley Investments, reported to be reconsidering its support for Goodman Fielder Wattie's bid for IEL, shed 5 cents to A$1.30. IEL and Goodman also both lost 5 cents to A$2.05 and A$2.11. It later emerged that textile magnate Mr Abe Goldberg was teaming up with two IEL executives to halt the merger with Goodman and take IEL over as an independent company.

NEW ZEALAND fell heavily in line with the Australian market and the Barclays index lost 22.19 to 1,901.98.

HONG KONG showed little movement in a very quiet day, with fund managers unwilling to rush into new positions at the start of the second half, especially given the holiday in the US today.

The Hang Seng index lost 3.1 to 2,270.81 in low turnover of HK$460m, with investors awaiting indications of the impact of the China crisis on the local property market.

Hongkong Bank saw active trading, unchanged at HK$7.40. Bond Corp International lost 2 cents to HK$1.55 after announcing a meeting on Thursday to consider a further special dividend because of its Bond Centre sale.

SINGAPORE moved lower in heavy trading, with small investors responsible for most of the activity and Wall Street's losses casting a shadow. The Straits Times industrial index fell 9.61 to 1,298.06 as 100.5m shares changed hands, down from Friday's 177.4m. Falls led rises by 140 to 41.

Among blue chips, Fraser and Neave dropped 30 cents to S$9.50 and Singapore Airlines foreign shed 20 cents to S$17.40.

TAIWAN plunged on talk that a leading player had been detained for involvement in illegal trading activities, though officials denied the rumours. The weighted index ended at 8,853.61, down 351.45.

SEOUL picked up steeply after hitting a year's low on Saturday. The composite index gained 19.6 to 865.90 in thin volume.

SOUTH AFRICA

A QUIET session in Johannesburg yesterday saw shares close mostly firmer, apart from a few ex-dividend related losses.

Heavyweights drag world down

By Jacqueline Moore

ECONOMIC and political worries furrowed brows in leading stock markets last week, dragging the FT-Actuaries World Index lower.

The US was the world's worst performer, falling 3 per cent in local currency terms. A mixture of economic nervousness and programme trading undermined share prices, with the Dow Jones Industrial Average falling steeply on four days last week. The largest retreat was on Thursday, when the Dow shed more than 46 points after the West German Bundesbank had unexpectedly raised interest rates.

US investors also became more concerned that a slowdown in the economy would damage corporate earnings. Fears of recession were exacerbated with the announcement on Wednesday of a higher-than-expected fall in the index of leading indicators.

Japan, beset by political doubts, dropped 1.7 per cent over the week, reducing its gain in 1989 to just 2.9 per cent. A combination of fears that the ruling Liberal Democratic Party would suffer in the weekend's elections and that Prime Minister Sousuke Uno would resign after the scandal over his private life kept investors away and confidence low.

West Germany, France and the Netherlands also suffered – each falling by more than 1 per cent in the wake of interest rate rises. Such declines by the heavyweight markets left the World Index 1.8 per cent lower.

Not all markets had a bad week, however. Mexico and Austria both fell by about 2 per cent but these were small setbacks compared with their impressive advances this year.

A couple of Scandinavian bourses even achieved significant gains. Denmark and Sweden, two of Europe's top performers this year, corrected their previous week's losses, gaining 3.1 and 1.1 per cent respectively.

South Africa also had a confident five days, buoyed by the bullion price and by its industrial stocks. Hong Kong continued to recoup lost ground as the Chinese situation stabilised, although it is still 15.9 per cent down this year.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	−1.98	−0.16	+51.19	+38.43	+47.28
Belgium	−0.35	−1.66	+15.95	+4.28	+11.21
Denmark	+3.10	+10.42	+70.51	+30.32	+37.34
Finland	+0.20	−3.50	+8.22	+13.16	+25.17
France	−1.91	−1.93	+33.33	+13.00	+20.48
West Germany	−1.43	+3.24	+25.46	+11.12	+17.80
Ireland	−0.13	−3.32	+7.17	+11.75	+17.92
Italy	+0.40	+8.44	+23.06	+7.14	+15.65
Netherlands	−1.01	+1.72	+23.26	+15.99	+23.20
Norway	−1.32	+0.77	+56.70	+39.46	+49.81
Spain	−0.04	−0.34	+0.30	+9.51	+16.67
Sweden	+1.09	+5.10	+49.50	+24.10	+33.54
Switzerland	−0.63	+5.31	+11.85	+14.57	+19.78
UK	−0.75	+2.43	+14.87	+18.84	+18.84
EUROPE	−0.80	+2.20	+19.71	+15.28	+19.27
Australia	+0.80	−1.28	−1.34	+2.50	+6.95
Hong Kong	+2.13	+8.95	−12.90	−15.88	−1.63
Japan	−1.74	−1.78	+15.05	+2.86	+4.26
Malaysia	+1.12	+1.50	+22.40	+25.94	+47.54
New Zealand	−0.62	+2.74	+0.91	+6.69	+13.50
Singapore	+0.47	+1.92	+21.55	+28.50	+48.57
Canada	−0.26	+0.82	+8.86	+12.04	+30.35
USA	−2.96	−1.34	+16.84	+14.57	+33.80
Mexico	−2.15	+13.44	+68.25	+74.38	+86.35
South Africa	+2.16	+8.74	+47.05	+34.10	+51.50
WORLD INDEX	−1.83	−0.63	+16.19	+9.15	+16.83

† Based on Friday June 30th,1989

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JUNE 30 1989						THURSDAY JUNE 29 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (84)	131.09	−0.6	125.47	115.40	−0.4	5.11	131.92	125.98	115.87	157.12	128.28	138.86
Austria (19)	120.99	−0.1	115.81	122.69	+0.4	2.20	121.10	115.64	122.19	124.16	92.84	85.83
Belgium (63)	128.65	−0.9	123.13	129.76	−0.3	4.22	129.83	123.98	130.15	137.10	125.58	118.18
Canada (123)	140.13	+0.2	134.12	121.56	+0.4	3.29	139.87	133.57	121.08	141.80	124.67	126.33
Denmark (38)	200.37	−0.2	191.78	207.19	+0.2	1.62	200.75	191.71	206.76	200.75	165.35	129.15
Finland (26)	140.27	−0.7	134.26	129.38	−0.2	1.62	141.25	134.89	129.66	159.16	125.81	131.20
France (128)	118.68	−0.3	113.59	123.52	−0.4	3.07	119.05	113.69	124.04	122.79	112.57	96.30
West Germany (100)	88.71	−1.0	84.91	90.14	−1.0	2.26	89.59	85.56	91.08	90.72	79.56	75.96
Hong Kong (49)	94.17	+0.0	90.14	94.27	+0.0	5.68	94.17	89.93	94.23	140.33	86.41	107.95
Ireland (17)	133.05	−0.5	127.35	137.95	−0.2	3.05	133.73	127.71	138.25	151.36	125.00	134.60
Italy (97)	84.30	−0.1	80.69	88.96	−0.2	2.50	84.39	80.59	89.18	86.88	74.97	71.70
Japan (455)	170.97	−0.5	163.64	155.63	−0.1	0.51	171.88	164.14	155.80	200.11	164.22	159.58
Malaysia (36)	181.29	−0.9	173.52	188.56	−0.8	2.55	182.94	174.70	190.13	185.03	143.35	152.13
Mexico (13)	258.23	−0.9	247.16	705.83	−0.5	0.71	260.66	248.92	709.62	271.98	153.32	167.92
Netherland (42)	118.57	−0.8	113.49	119.17	−0.8	4.34	119.51	114.13	120.14	122.22	110.63	103.28
New Zealand (24)	65.70	−1.3	62.88	60.79	−0.7	6.11	66.55	63.56	61.25	76.02	62.64	76.76
Norway (26)	178.21	−0.3	170.57	172.65	−0.3	1.48	178.77	170.72	173.13	198.39	139.92	122.30
Singapore (26)	159.16	−1.1	152.33	144.01	−0.8	1.93	160.86	153.62	145.18	161.98	124.57	125.56
South Africa (60)	151.58	−0.7	145.08	131.74	−0.7	4.08	152.62	145.75	132.65	152.62	115.36	118.45
Spain (43)	148.24	−0.6	141.88	139.48	−0.6	3.53	149.09	142.38	140.34	168.17	143.14	151.14
Sweden (35)	165.35	−0.3	158.26	162.72	+0.0	2.11	165.83	158.36	162.76	166.15	138.45	116.93
Switzerland (57)	80.08	−0.6	76.65	83.33	−0.5	2.30	80.53	76.90	83.77	81.29	67.81	79.42
United Kingdom (314)	137.70	−1.5	131.79	131.79	−1.3	4.45	139.76	133.47	133.46	153.33	133.28	131.63
USA (555)	129.67	−0.5	124.11	129.67	−0.5	3.46	130.36	124.49	130.36	133.83	112.13	110.98
Europe (1005)	117.13	−1.0	112.11	115.89	−0.9	3.54	118.28	112.95	116.91	121.70	112.63	105.90
Nordic (125)	161.80	−0.3	154.86	155.65	+0.0	1.82	162.26	154.97	155.63	162.28	137.95	113.70
Pacific Basin (674)	166.64	−0.5	159.49	151.86	−0.1	0.75	167.52	159.97	152.05	194.72	160.44	156.68
Euro–Pacific (1679)	146.92	−0.7	140.62	137.42	−0.4	1.66	147.91	141.25	137.92	164.22	141.56	136.40
North America (678)	130.20	−0.5	124.62	129.18	−0.5	3.45	130.84	124.95	129.80	134.17	112.79	111.80
Europe Ex. UK (691)	103.94	−0.6	99.48	106.05	−0.6	2.87	104.55	99.84	106.67	105.57	96.30	89.88
Pacific Ex. Japan (219)	114.68	−0.5	109.77	104.89	−0.4	4.96	115.31	110.12	105.27	137.66	111.93	121.73
World Ex. US (1875)	146.80	−0.6	140.50	137.04	−0.3	1.73	147.74	141.09	137.52	162.77	141.49	135.90
World Ex. UK (2116)	139.92	−0.5	133.92	134.80	−0.3	2.10	140.65	134.31	135.23	146.04	136.98	125.69
World Ex. So. Af. (2370)	139.63	−0.6	133.65	134.52	−0.4	2.30	140.48	134.15	135.07	146.65	136.67	126.25
World Ex. Japan (1975)	125.00	−0.7	119.64	123.75	−0.6	3.56	125.83	120.16	124.51	128.01	114.51	110.22
The World Index (2430)	139.70	−0.6	133.71	134.50	−0.4	2.31	140.55	134.22	135.05	146.51	136.68	126.20

Latest prices were unavailable for this edition.

Constituent change: Delete: UEI (UK) (3/7/89).